

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2028 General Rate Case
Application: A.26-06-015
Exhibit: SDGE-23.1

**REVISED PREPARED DIRECT TESTIMONY OF MARITZA
MEKITARIAN**

(ADMINISTRATIVE & GENERAL)

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



September 2026

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Summary of Administrative & General Costs and Activities.....	1
B.	Organization of Testimony	2
C.	Support To and From Other Witnesses.....	3
II.	AFFORDABILITY & EFFICIENCY.....	3
III.	ACCOUNTING & FINANCE DIVISION.....	4
A.	Introduction.....	4
B.	Senior Vice President (SVP) & Chief Financial Officer (CFO), and Vice President (VP) Controller & Chief Accounting Officer (CAO).....	5
1.	Description of Costs and Underlying Activities	5
2.	Forecast Method.....	6
3.	Cost Drivers	6
C.	Accounting Operations	6
1.	Description of Costs and Underlying Activities	6
2.	Forecast Method.....	10
3.	Cost Drivers	10
D.	Utility Accounting	10
1.	Description of Costs and Underlying Activities	11
2.	Forecast Method.....	14
3.	Cost Drivers	14
E.	Financial & Business Planning	14
1.	Description of Costs and Underlying Activities	14
2.	Forecast Method.....	17
3.	Cost Drivers	17
F.	Business Innovations & Systems and Financial Systems Client Support	17
1.	Description of Costs and Underlying Activities	18
2.	Forecast Method.....	18
3.	Cost Drivers	19
G.	Banking Fees.....	19
1.	Description of Costs and Underlying Activities	19
2.	Forecast Method.....	20
3.	Cost Drivers	20

IV.	LEGAL DIVISION.....	20
A.	Introduction.....	20
B.	Legal Department.....	22
	1. Description of Costs and Underlying Activities	22
	2. Forecast Method.....	26
	3. Cost Drivers	27
C.	Outside Legal	28
	1. Description of Costs and Underlying Activities	28
	2. Forecast Method.....	28
	3. Cost Drivers	29
D.	Claims and Claims Payments and Recovery Costs.....	29
	1. Description of Costs and Underlying Activities	29
	2. Forecast Method.....	30
	3. Cost Drivers	31
E.	Claims Write-offs.....	31
	1. Description of Costs and Underlying Activities	31
	2. Forecast Method.....	32
	3. Cost Drivers	32
V.	ENTERPRISE RISK AND COMPLIANCE MANAGEMENT DIVISION	32
A.	Introduction.....	32
	1. Description of Costs and Underlying Activities	33
	2. Forecast Method.....	37
	3. Cost Drivers	38
VI.	REGULATORY AFFAIRS DIVISION	39
A.	Introduction.....	39
B.	Senior Vice President & Chief Regulatory Officer	40
	1. Description of Costs and Underlying Activities	40
	2. Forecast Method.....	41
	3. Cost Drivers	41
C.	Policy, State & Federal Regulatory Proceedings.....	41
	1. Description of Costs and Underlying Activities	42
	2. Forecast Method.....	42
	3. Cost Drivers	43

D.	GRC & Revenue Requirements	44
1.	Description of Costs and Underlying Activities	44
2.	Forecast Method.....	45
3.	Cost Drivers	45
E.	San Francisco Operations	47
1.	Description of Costs and Underlying Activities	47
2.	Forecast Method.....	47
3.	Cost Drivers	48
F.	Strategic Planning, Regulatory Policy & Legislative Analysis	48
1.	Description of Costs and Underlying Activities	48
2.	Forecast Method.....	49
3.	Cost Drivers	49
VII.	CUSTOMER PRICING.....	50
A.	Introduction.....	50
1.	Description of Costs and Underlying Activities	50
2.	Forecast Method.....	51
3.	Cost Drivers	51
VIII.	EXECUTIVE OFFICERS	52
1.	Description of Costs and Underlying Activities	52
2.	Forecast Method.....	52
3.	Cost Drivers	52
IX.	FRANCHISE FEES	53
A.	Introduction.....	53
1.	Description of Underlying Costs	53
2.	Forecast Method.....	54
3.	Cost Drivers	54
X.	REGULATORY ACCOUNTS.....	54
A.	Interruption Cost Estimate (ICE) 2.0 Calculator Memorandum Account (ICEMA).....	54
XI.	CONCLUSION.....	55
XII.	WITNESS QUALIFICATIONS.....	56

APPENDICES

Appendix A – Glossary of Terms A-1

2028 GRC Testimony Revision Log –September 2026Log-1

SUMMARY

ADMINISTRATIVE & GENERAL (In 2025 \$)			
Categories of Management	2025 Adjusted-Recorded (000s)	TY2028 Est. (000s)	Change (000s)
Total Non-Shared Services	50,835	57,244	6,409
Total Shared Services	10,318	12,192	1,874
Total O&M	61,153	69,436	8,283

Summary of Requests

The funding summarized above and described in this testimony is reasonable and represents the necessary operations and maintenance (O&M) expenses for San Diego Gas & Electric Company's (SDG&E or the Company) Administrative and General (A&G) teams, which includes Accounting and Finance (A&F), Legal, Enterprise Risk and Compliance Management, Regulatory Affairs, Customer Pricing, and Executive Officers costs. My testimony supports the forecast of costs related to the following areas:

- **Accounting and Finance** analyzes, records, and maintains SDG&E's financial books while developing budgets and forecasts, supporting compliance and internal controls, managing regulatory accounts, and providing strategic financial oversight and support;
- **Legal** manages SDG&E's legal matters, issues, and risks; advises senior management and the Board of Directors; supports company goals in safety, reliability, and sustainability; and supports compliance with regulatory and legal requirements, including managing third-party claims and payments;
- **Enterprise Risk and Compliance Management** develops, implements, and applies leading risk management practices by integrating risk analysis into asset and investment decisions, conducting data-driven and quantitative risk assessments; oversees compliance with regulatory and company standards including affiliate compliance and information management policies, and manages credit-risk policies to support adherence to authorized tariff rules and mitigation of credit exposure;
- **Regulatory Affairs** provides project management, policy development, regulatory strategy, forecasting, economic analysis, cost allocation, rate design,

and tariff administration, while also managing proceedings and issues before the CPUC and other regulatory agencies;

- **Customer Pricing** develops compliant electric rates that recover authorized revenues, using cost-of-service analysis, load research, and demand forecasting. The team leverages detailed customer and smart-meter data to assess rate impacts, support regulatory filings, and inform pricing, policy, and resource planning decisions; and
- **Executive Officers** primarily consists of administrative support for Executive officers as well as non-labor expenses for the President and Chief Operating Officer (COO), who provide leadership that sets the direction for SDG&E's employees, facilitating the delivery of safe and reliable service to customers.

This testimony also forecasts the Franchise Fees expense. In addition, my testimony includes requests related to two regulatory accounts, one of which is seeking a reasonableness review. The regulatory accounts section of my testimony addresses these in more detail.

The forecasted Test Year (TY) 2028 request for A&G is \$69.436 million as compared to 2025 adjusted recorded of \$61.153 million for an increase of \$8.283 million. The cost drivers behind the \$8.283 million increase, include:

- Labor cost increases are largely attributable to vacancy backfills and higher workload demands driven by expanding regulatory and compliance requirements. Additionally, labor cost increases are reflective of changes in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20.
- Non-labor cost increases are primarily due to claims payments and the recovery cost average being higher than base year actuals, as well as a shift from internal employees to external contractors in Accounting & Finance. Additionally, the full-year 2028 forecast incorporates the shift and increase of banking fees from Sempra to SDG&E.

In developing the forecasts for A&G, SDG&E primarily used a base year forecast, as the 2025 recorded levels most accurately reflect the expected staffing and non-labor needs required to operate this area. This approach is appropriate because the core functions of this area are consistent, making the 2025 base year a sound foundation for the 2028 test year. Additionally,

regulatory changes will affect future years, so historical averages no longer reflect the current or anticipated workload. Accordingly, a forecast primarily based on the base year and adjusted for known and anticipated operational needs represents the most appropriate methodology.

**REVISED PREPARED DIRECT TESTIMONY OF MARITZA MEKITARIAN
ADMINISTRATIVE & GENERAL**

I. INTRODUCTION

A. Summary of Administrative & General Costs and Activities

My testimony supports the Test Year (TY) 2028 forecasts for operations and maintenance (O&M) costs for both non-shared and shared services associated with the Administrative & General (A&G) area for SDG&E. Table MM-1 summarizes my sponsored costs.

**TABLE MM-1
Test Year 2028 Summary of Total Costs**

ADMINISTRATIVE & GENERAL (In 2025 \$)			
Categories of Management	2025 Adjusted-Recorded (000s)	TY2028 Est. (000s)	Change (000s)
Total Non-Shared Services	50,835	57,244	6,409
Total Shared Services	10,318	12,192	1,874
Total O&M	61,153	69,436	8,283

ADMINISTRATIVE & GENERAL (In 2025 \$)			
Categories of Management	2025 Adjusted-Recorded (000s)	TY2028 Est. (000s)	Change (000s)
Accounting and Finance Division	17,664	19,869	2,205
Legal Division	24,974	29,271	4,297
Customer Pricing and Rates Division	4,359	4,704	345
Regulatory Affairs Division	8,406	9,481	1,075
Enterprise Risk & Compliance Management Division	5,411	5,760	349
Executive Officers	340	352	12
Total O&M	61,153	69,436	8,283

**TABLE MM-2
Summary of Franchise Fees¹**

Franchise Fees (In 2025 \$)	Estimated 2026 (000s)	Estimated 2027 (000s)	Estimated 2028 (000s)
Electric Distribution	77,179	80,700	86,318

¹ Note: Franchise Fees are calculated based on ERR-1 Final RO Model, which might be subject to change. Totals may include rounding differences.

Electric Generation	7,049	7,029	7,224
Gas Distribution	16,384	16,999	18,308
Total	100,612	104,728	111,849

A&G includes Accounting and Finance (A&F), Legal, Enterprise Risk and Compliance Management, Regulatory Affairs, Customer Pricing, Executive Officers, and Franchise Fees costs. The functions and activities of these groups are described in my testimony and include accounting operations, financial planning and analysis, legal and claims support and analysis, regulatory support, analysis, and case management, customer pricing, and enterprise risk and compliance management functions. These functions are necessary to support the electric and natural gas operational activities that serve SDG&E's customers and other key external stakeholders, including maintaining internal controls, supporting internal clients and external stakeholders, and meeting accounting, regulatory, legal, and compliance requirements. My testimony discusses each of these groups in more detail below, including summarizing the core activities, presenting the forecast method, and identifying cost drivers. A&G costs consist primarily of labor costs for full-time equivalents (FTEs), associated non-labor costs, and the payment of third-party claims against the Company. Overall, the A&G area is requesting \$69.436 million, which is an increase of \$8.283 million compared to the base year.

The total costs of these divisions include both shared and non-shared service costs. Non-Shared Services are activities that are performed by a utility solely for its own benefit. Corporate Center provides certain services to the utilities and to other subsidiaries. For purposes of this general rate case, SDG&E treats costs for services received from Corporate Center as Non-Shared Services costs. As described in the Shared Services testimony (Exhibit SCG-22/SDGE-27), Shared Services are activities performed by a utility shared services department (*i.e.*, functional area) for the benefit of: (i) SDG&E or Southern California Gas Company (SoCalGas), (ii) Sempra Energy Corporate Center, and/or (iii) any affiliate subsidiaries. The allocation methodologies for each division's department or group are described in the workpapers.

B. Organization of Testimony

My testimony is organized as follows:

- Introduction
- Affordability & Efficiency
- Accounting and Finance
- Legal

- Enterprise Risk and Compliance Management
- Regulatory Affairs
- Customer Pricing
- Executive Officers
- Franchise Fees
- Regulatory Accounts
- Conclusion

I address the Company's A&G requests by divisions. I provide summary tables for each corresponding division, which will include costs for both Utility Shared Services (USS) and Non-Shared Services (NSS).

C. Support To and From Other Witnesses

My testimony references the testimony and workpapers of several other witnesses, either in support of their testimony or as support for mine. Those witness areas are:

- Corporate Center Administration (Ex. SCG-14/SDGE-18),
- Compensation and Benefits testimony (Ex. SCG-16/SDGE-20),
- Regulatory Accounts (Ex. SDGE-26), and
- Insurance (Ex. SCG-15/SDGE-19).

II. AFFORDABILITY & EFFICIENCY

The accounting and finance, legal, enterprise risk and compliance, regulatory affairs, customer pricing, and executive officers departments for SDG&E are committed to balancing affordability and efficiency by implementing targeted workforce optimizations, streamlining processes, and reducing discretionary spending. These efforts include intentionally managing headcount through attrition and role consolidation, leveraging automation to improve efficiency in areas such as accounts payable, and minimizing non-essential travel and training costs. In addition to delivering near-term savings, these initiatives are designed to create sustainable operational efficiencies that will help mitigate future cost pressures, support long-term affordability for customers, and maintain compliance and service quality over time. An example of such efficiencies is the outsourcing efforts completed by SDG&E this year, shifting from internal employees to external contractors shown within my workpapers and testimony below.

III. ACCOUNTING & FINANCE DIVISION

A. Introduction

The Accounting and Finance (A&F) division consists of the following departments, which are described in greater detail below:

- Senior Vice President (SVP) & Chief Financial Officer (CFO), and Vice President (VP) Controller & Chief Accounting Officer (CAO)
- Accounting Operations
- Utility Accounting
- Financial & Business Planning
- Business Innovations & Systems and Financial Systems Client Support

The A&F divisions of SoCalGas and SDG&E are led by a shared Chief Financial Officer (CFO). In addition, Financial and Business Planning of SoCalGas and SDG&E are led by a shared Senior Vice President (SVP) of Strategy, Financial Planning and Treasurer. The request for labor and non-labor related to the SVP of Financial Planning can be found in SoCalGas's Environmental and Sustainability Testimony (Ex. SCG-13).

The current cost structure for A&F incorporates measures such as workforce optimization, process automation, and reductions in discretionary spending, which are designed to be sustainable over time. These initiatives position the division to manage its responsibilities effectively while mitigating future cost pressures. Looking ahead, the division will continue to build on these efficiencies as it implements enhanced accounting standards, regulatory reporting tools, and compliance measures, so that affordability remains a core priority alongside regulatory obligations. While SDG&E's TY 2028 request reflects these efficiencies, incremental dollars are requested on top of the base year spend, including funding for critical vacancy backfills and adjustments necessary to maintain compliance and service reliability. SDG&E is seeking TY 2028 costs of \$19.869 million compared to the 2025 adjusted-recorded costs of \$17.664 million for its Accounting and Finance division.

Accounting and Finance division O&M costs are both shared and non-shared. Table MM-3 summarizes the total shared and non-shared O&M forecasts for the listed cost categories.

TABLE MM-3
Summary of Accounting and Finance Division Request between Shared
and Non-Shared Costs²

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
A. SVP & CFO, and VP, Controller & CAO	182	355	537	182	424	606	-	69	69
B. Accounting Operations	3,872	2,257	6,129	4,568	2,000	6,568	696	(257)	439
C. Utility Accounting	3,010	-	3,010	3,455	-	3,455	445	-	445
D. Financial & Business Planning	6,178	-	6,178	6,795	-	6,795	617	-	617
E. Business Innovations & Systems and Financial Systems Client Support	655	1,046	1,701	690	1,067	1,757	35	21	56
Accounting and Finance	13,897	3,658	17,555	15,690	3,491	19,181	1,793	(167)	1,626
F. Banking Fees	111	-	111	690	-	690	579	-	579
Banking Fees	111	-	111	690	-	690	579	-	579
Total O&M	14,007	3,657	17,664	16,379	3,490	19,869	2,372	(167)	2,205

B. Senior Vice President (SVP) & Chief Financial Officer (CFO), and Vice President (VP) Controller & Chief Accounting Officer (CAO)

TABLE MM-4
Summary of Senior Vice President (SVP) & Chief Financial Officer (CFO), and Vice President (VP) Controller & Chief Accounting Officer (CAO) Costs

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
A. SVP & CFO, and VP, Controller & CAO	182	355	537	182	424	606	-	69	69

1. Description of Costs and Underlying Activities

The SVP – CFO, and VP – Controller & CAO positions oversee the accounting, financial reporting, financial planning, budgeting, and treasury management functions for SDG&E. These

² Note: Totals may include rounding differences.

positions are also responsible for preparing and certifying various financial reports as required by law, evaluating the effectiveness of SDG&E's internal controls over financial reporting, reviewing monthly and quarterly financial statements, including regulatory filings, and providing guidance and establishing financial targets. The O&M costs for these departments are both shared and non-shared and are represented in Table MM-4.

2. Forecast Method

A base year methodology was used for forecasting the SVP – CFO, and VP – Controller & CAO costs. The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs. The SVP – CFO, and VP – Controller & CAO provide essential compliance governance oversight, and other support to SDG&E's business units. This method supports accuracy and traceability to recent historical costs that consider the affordability and efficiency measures the company has undertaken.

3. Cost Drivers

The cost drivers for this department include:

- Costs related to expert witnesses for various regulatory proceedings (*e.g.*, Cost of Capital).
- External audit fees for engagements on various agreed upon procedures and regulatory filings, such as FERC Form 1 and CPUC General Order (GO)-77.
- Administrative assistance to support the SVP – CFO, and VP – Controller & CAO.
- Other miscellaneous non-labor expenses related to training, travel, office supplies, and employee recognition.

C. Accounting Operations

TABLE MM-5
Summary of Accounting Operations Costs

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
B. Accounting Operations	3,872	2,257	6,129	4,568	2,000	6,568	696	(257)	439

1. Description of Costs and Underlying Activities

The Accounting Operations department analyzes, records, and maintains the operational accounting books and records for SDG&E. This department is comprised of the following groups: Asset

1 & Project Accounting (A&PA), Accounts Payable (AP), Affiliate Billing & Costing (ABC), and Bank
2 Reconciliation and Escheatment. More information about each group is provided below.

3 **a. Asset & Project Accounting (A&PA)**

4 A&PA is responsible for the accounting of SDG&E's rate base, operational transactions, new
5 business, fixed asset management, asset retirement obligations, and billable projects. In particular, this
6 group oversees the accounting transactions for work orders (*i.e.*, issuing, monitoring, and reporting);
7 transferring construction work in progress (CWIP) into rate base; analyzing and developing asset
8 classes; preparing depreciation life studies; calculating depreciation expense; forecasting plant additions;
9 accounting for plant retirements; developing and monitoring capitalization policies; general ledger
10 account reconciliations; and performing internal control test procedures prescribed by the Sarbanes-
11 Oxley Act (SOX). A&PA is also responsible for providing accounting guidance, such as classification
12 of expenses between capital versus O&M, FERC account assignments, allocation of overhead rates,
13 gathering of information, and analytical support for data requests.

14 Included in this group are labor costs associated with the Management Accounting and Finance
15 Rotational Program (MARF). The MARF costs are comprised of labor for entry-level accounting and
16 finance employees, hired from colleges, that rotate annually to three different positions within the
17 Accounting and Finance division to develop their understanding of the Company and the various
18 accounting and finance functions.

19 A&PA is comprised of Plant Accounting, Financial & Rate Base Services, and Billable Project
20 Accounting & Sundry Services (BPA & SS). More information about each subgroup is provided below.

21 **i. Plant Accounting**

22 The Plant Accounting group is responsible for the accounting of the full life cycle of SDG&E's
23 fixed assets. These responsibilities include providing guidance to the organization on classification of
24 capital expenses and management of a variety of plant-in-service processes. A core component of the
25 plant accounting process is the creation of capital project work orders, which requires the group to
26 support various departments and project teams across the Company for accurate accounting under both
27 FERC and Generally Accepted Accounting Principles (GAAP). The group monitors and reports on the
28 recording of project costs and status updates to comply with GAAP, FERC regulatory requirements, and
29 internal policies and procedures. This group is also responsible for the accounting of capital additions,
30 which is the timely recording of transfers of completed projects from CWIP to plant.

1 In addition, Plant Accounting monitors and reports on capital project authorizations for
2 compliance with SDG&E's internal policies and procedures. The group calculates and records
3 Allowance for Funds Used during Construction (AFUDC) to work orders on a monthly basis. The
4 group also manages the recording and reporting processes for financing and operating leases. Finally,
5 all quarterly and annual business controls and SOX testing processes for the Accounting Operations
6 department are coordinated through Plant Accounting to comply with the Company's accounting and
7 regulatory policies and procedures.

8 **ii. Financial & Rate Base Services**

9 The Financial & Rate Base Services group is responsible for preparing depreciation life studies
10 (including applicable Iowa curves, average service life, and future net salvage rate of assets by account
11 and class), calculating depreciation and amortization expense, tracking accumulated depreciation
12 including cost of removal, accounting for asset retirement obligations, account reconciliations, tracking
13 all components of rate base, and computing the capital-related costs for capital balancing and
14 memorandum accounts. There are two areas of testimony under this Application that are supported by
15 this team: the Depreciation testimony and the Rate Base testimony. Regarding the Depreciation
16 testimony, the group is responsible for conducting the studies of depreciation lives and net salvage rates
17 which provide the foundation for the proposals included in SDG&E's GRC. For the Rate Base
18 testimony, the group is responsible for compiling the capital forecasts presented in the testimonies of
19 other witnesses and calculating the test year rate base based on those forecasts.

20 **iii. Billable Project Accounting & Sundry Services (BPA & SS)**

21 The BPA & SS group is responsible for line extension billings, sundry products, services
22 billings, and damage claims billings. BPA & SS issue invoices to third parties for products, services,
23 customer advances for construction, and damage claims that result in revenues, or reductions to
24 expense/capital. BPA & SS conducts ongoing compliance review and training for Sundry business
25 management to guide compliance with regulatory policy and procedures, as well as monitors and
26 performs quarterly and annual SOX testing of controls. BPA & SS performs monthly analysis and
27 creates reports for management to aid in the supervision of financial activities. Lastly, BPA & SS
28 coordinates and reviews the sundry revenues and expense reporting for each business area in preparation
29 for the non-tariffed products and services annual report to the CPUC.

1 **b. Accounts Payable (AP)**

2 The AP group is responsible for timely and accurate processing and accounting for payments of
3 all invoices related to materials and services procured by SDG&E and Corporate Center. AP is
4 responsible for verifying invoices and supporting appropriate authorization. This group provides an AP
5 helpline to assist with payment resolution and status. AP also maintains the vendor master records and
6 documentation in accordance with cybersecurity protocols. The AP team processes invoices and
7 payments, responds to AP Inquiries, reviews expense reports, prepares AP accruals, sets up vendors, and
8 processes 1099/1042 forms. AP performs several daily audits in addition to SOX testing of controls to
9 comply with procedures and policies. AP also provides company-wide invoice approval training with a
10 focus on invoice review requirements and payment controls. Additional responsibilities include
11 monthly invoice accruals for financial and regulatory reporting and processing of employee expense
12 reimbursements. In addition, AP is responsible for the annual Internal Revenue Service filing of Form
13 1099 and Form 1042 for reportable non-employee and contractor payments.

14 **c. Affiliate Billing & Costing (ABC)**

15 The ABC group is responsible for managing cost allocation accounting according to SDG&E's
16 policy and procedures. This group sets the overhead rates and administers the cost allocations and
17 overhead distributions of all cost categories (O&M, capital, and billings to affiliates). This group works
18 closely with both the Affiliate Compliance and Internal Audit departments to comply with regulatory
19 decisions affecting inter-company transactions and accounting requirements. ABC also supports
20 internal management reporting and forecasting, performance monitoring, accurate project cost
21 estimations for regulatory filings, and provides historical data for compliance reporting and audits.

22 **d. Bank Reconciliation and Escheatment**

23 Bank Reconciliation and Escheatment is responsible for performing monthly bank account
24 reconciliations and cash controls monitoring and reporting. This team also supports compliance with
25 Sarbanes-Oxley (SOX) requirements by maintaining and executing key internal controls over cash,
26 performing timely reconciliations, documenting control activities, and supporting internal and external
27 audit requests. Additionally, this team also prepares annual escheatment filings with the 50 states and
28 US territories for uncashed utility customers and vendor checks and other unclaimed property and
29 supports investigations of utility customers' forged check endorsements or check fraud.

2. Forecast Method

A base year methodology was used for forecasting the Accounting Operations costs. The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs. Accounting Operations provides essential accounting for SDG&E's fixed assets and other related functions, compliance governance, oversight of controls, and other support to SDG&E's business units. This method promotes accuracy and traceability to recent historical costs that consider the affordability and efficiency measures the company has undertaken. The test year was adjusted by \$0.439 million, which is the net impact of critical vacancy backfills, compensation modernization adjustments,³ and third-party outsourcing costs, offset by internal labor reductions for outsourcing.

3. Cost Drivers

The responsibilities of the Accounting Operations department described above are necessary to comply with financial, regulatory, and operational requirements. The costs of this department are primarily labor driven and fluctuate depending upon CPUC regulatory requests or policy directives impacting the Company's operations, assets, or investments. The accurate and timely recording of capital expenditures, classification of capital costs, setting depreciation rates, computation of rate base, timely payment of all invoices, and other activities are critical requirements of GAAP and regulatory guidelines. The Company's books and records are audited by various regulatory agencies for compliance with GAAP and regulatory guidelines. Cost drivers for the incremental adjustments include critical vacancy backfills, compensation modernization adjustments, and third-party outsourcing costs, offset by internal labor reductions for outsourcing.

D. Utility Accounting

TABLE MM-6
Summary of Utility Accounting

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
C. Utility Accounting	3,010	-	3,010	3,455	-	3,455	445	-	445

³ Labor cost increases reflect changes associated with the Compensation Modernization Initiative. See Compensation and Benefits Testimony, Ex. SCG-16/SDGE-20.

1. Description of Costs and Underlying Activities

The Utility Accounting department's primary role is the proper accounting and reporting of financial information for management and various regulatory bodies, in compliance with rules and regulations, and establishing and maintaining accounting policies and controls for SDG&E. This department is comprised of the following groups: Financial Accounting, Regulatory Reporting, Regulatory Accounts, and Accounting Research & Business Controls. More information about each group is provided below.

a. Financial Accounting

The Financial Accounting group is responsible for the timely month-end accounting close and general maintenance of SDG&E's general ledger, recording of transactions, preparing financial statements, and reporting of monthly, quarterly, and year-end financial results of SDG&E. The group is responsible for the accounting of transactions in accordance with GAAP, SEC regulations, and the regulatory reporting mandates of the CPUC and FERC. The following is a non-exhaustive description of the responsibilities performed by Financial Accounting:

- Recording of journal entries;
- Accuracy and integrity of the recorded financial data through analysis and reconciliations;
- Compiling and reporting of financial statements and other accounting information for the SEC and other regulatory bodies;
- Preparing financial reports for management;
- Coordinating, testing, and executing financial statement internal controls prescribed by SOX regulations;
- Providing expertise and guidance on proper accounting treatment of various operating activities (*e.g.*, assessment of variable interest entity consolidation relating to electric power supply contracts and investments);
- Implementing new accounting standards; and
- Coordinating the audit of the Company's financial statements and other audits.

b. Regulatory Reporting

The Regulatory Reporting group is responsible for the set-up, tracking, and monitoring of the accounting for all regulatory accounts to comply with GAAP, SEC regulations, and regulatory mandates by the CPUC and FERC. In addition, the group is responsible for the accounting implementation of the

1 GRC, Annual Regulatory Account Update filings, rate implementations, and other proceedings and
2 decisions that affect balancing accounts, memorandum accounts, or tracking accounts. This includes
3 monthly revenue accounting and reporting of the amount billed to ratepayers in accordance with GAAP
4 and SEC requirements, as well as the amount recorded to the correct regulatory accounts based on
5 mandates by the CPUC and FERC. This group provides responses to auditors and intervenors, which
6 may include the Commission's Energy Division, internal and external auditors, the Board of
7 Equalization, and others. The Regulatory Reporting group is also responsible for multiple regulatory
8 filings to the CPUC, FERC, U.S. Energy Information Administration, and California Energy
9 Commission (CEC), along with the franchise fees calculation and payments to multiple jurisdictions
10 within the SDG&E territory. The following is a non-exhaustive, more specific description of
11 responsibilities performed by this group:

- 12 • Recording of journal entries;
- 13 • Accuracy and integrity of recorded financial data for revenue and for balancing and
14 memorandum accounts through analysis and account reconciliations;
- 15 • Compiling and reporting of revenue and regulatory accounts for financial statements and
16 other accounting information for the SEC and other regulatory bodies;
- 17 • Coordinating, testing, and executing internal controls prescribed by SOX regulations;
- 18 • Providing expertise and guidance on proper accounting treatment of various operating
19 activities relating to revenue and regulatory accounts;
- 20 • Implementing new accounting standards and regulations that impact revenue or
21 regulatory accounts;
- 22 • Coordinating audits relating to revenue and regulatory accounts; and
- 23 • Accounting and payments of franchise fees.

24 **c. Regulatory Accounts**

25 The Regulatory Accounts group is responsible for the development, implementation, and
26 analysis of regulatory balancing accounts, regulatory memorandum accounts, and other cost recovery
27 and ratemaking mechanisms. This group works with other stakeholders in the Company to support
28 compliance with advice letters, preliminary statements, applications, and other proceedings. This
29 includes overseeing the regulatory accounts approved in current tariffs. The Regulatory Accounts group
30 also serves as a liaison with regulatory agencies as well as Regulatory Reporting and other departments

to maintain regulatory accounting compliance with CPUC directives and financial accounting standards.

The following is a non-exhaustive description of responsibilities performed by Regulatory Accounts:

- Accuracy and integrity of the recorded financial data for balancing, memorandum, and tracking accounts;
- Other reporting preparation and analysis for regulatory accounts to other stakeholders, including the CPUC;
- Preparing cash flow projections of regulatory accounts to assist in cash flow planning;
- Preparing and reviewing the regulatory accounts to file accurate regulatory update filings for Electric, Gas, and Public Purpose Program accounts;
- Coordinating audits regarding regulatory accounts, such as the Energy Resources Recovery Account (ERRA) compliance and others.

d. Accounting Research & Business Controls

The Accounting Research & Business Controls group is responsible for technical accounting reviews and research related to new transactions and accounting standards, documenting and maintaining updated documentation of SDG&E accounting approaches, reviewing SEC financial filings, and coordinating and managing of SDG&E's compliance with SOX and internal policies. The following is a non-exhaustive description of responsibilities performed by this group:

- Perform the accounting review of significant contracts, for accounting conclusions related to these contracts;
- Review of new and proposed accounting standards issued by the Financial Accounting Standards Board (FASB), SEC, and associated guidance issued by accounting firms and industry sources. Coordination of the implementation of accounting and disclosure changes required by these standards;
- Provide disclosure information for quarterly and annual SEC financial reports;
- Coordination of the annual update process for SDG&E internal policies;
- Provide guidance on the application of internal accounting and finance policies, including those covering capitalization and lease accounting; and
- Manage the SOX process, including annual scoping, quarterly SOX attestation, internal controls testing, reporting on the status of SDG&E's SOX compliance to management and external auditors, and providing annual training to management responsible for the SOX internal controls.

The Accounting Research & Business Controls group works closely with Corporate Center and SoCalGas for consistent interpretation and application of GAAP accounting and reporting. The portion of the department's SOX compliance coordination related to general IT controls is performed as a shared service for SDG&E and SoCalGas.

2. Forecast Method

A base year methodology was used for forecasting the Utility Accounting costs. The base year was adjusted by \$0.445 million primarily for critical vacancy backfills and compensation modernization adjustments.⁴ The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs. Utility Accounting provides essential compliance governance, oversight, and other support to SDG&E's business units. This method promotes accuracy and traceability to recent historical costs that consider the affordability and efficiency measures the company has undertaken.

3. Cost Drivers

The cost drivers for the Utility Accounting department are primarily labor costs. As changes occur in accounting and regulatory reporting standards, this department is responsible for implementing and complying with the new standards. This department is also responsible for reviewing advice letters and preliminary statements, and implementation of the new balancing and memorandum accounts. Cost drivers for incremental adjustments include critical vacancy backfills and compensation modernization adjustments.

E. Financial & Business Planning

TABLE MM-7
Summary of Financial & Business Planning Costs

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
D. Financial & Business Planning	6,178	-	6,178	6,795	-	6,795	617	-	617

1. Description of Costs and Underlying Activities

The Financial & Business Planning department develops the financial plans, oversees the

⁴ Labor cost increases reflect changes associated with the Compensation Modernization Initiative. See Compensation and Benefits Testimony, Ex. SCG-16/SDGE-20.

budgeting for O&M and capital budgets, monitors financial performance, and performs all cash flow forecasting and Treasury functions. The department includes the following three groups:

- Financial Planning
- Business Planning
- Financial & Strategic Analysis

a. Financial Planning

The Financial Planning group is responsible for developing, measuring, and reporting the financial performance targets and results of SDG&E to internal management and other stakeholders. This group directs the planning, development, and preparation of SDG&E's financial plan, budgets, forecasts, and outlooks including balance sheet, income statement, and cash flow statement. The group sets financial targets and consolidates the budgets of all the areas of the Company and prepares and leads executive briefings to report on the Company's performance to facilitate decision making.

Responsibilities include compiling various inputs to develop financial plans, implementing and maintaining annual capital and O&M budgets, and developing reports and presentations for communication of financial results to management and other stakeholders.

These results are measured and reported monthly. In addition, the Financial Planning group develops, analyzes, and implements strategies to optimize all aspects of debt issuances (debt term, timing of debt issuance and amount of debt issuance), dividend payments, and equity infusions.

Responsibilities also include:

- Forecasting and analyzing short-term and long-term cash flows;
- Assessing the financial markets for conditions to minimize financing costs;
- Analyzing adequate levels of liquidity to finance the Company's operations at the lowest rates possible for customers;
- Serving as witnesses and support members for the Cost of Capital, GRC, and debt financing proceedings;
- Performing compliance functions in support of debt and dividend issuances.

b. Business Planning

The Business Planning group provides budget, accounting, and financial support at the division level across SDG&E. The group provides financial resources to support each division relative to financial consulting, project costing, new products/services development planning, process improvement, and performance measurement support and analysis. Business Planning directs the

development, monitoring, and reporting of all the division's budgets within the Company and supports the Company's strategic decision-making and performance measurement activities, cost planning, and analysis at the division level.

This group is responsible for the budgeting process and incorporates affordability and efficiencies savings into the resource allocation process and makes sure the budget process deploys resources effectively in the manner intended. The group provides accounting support for cost center maintenance, verifies internal work orders are established consistent with Company policies and accounting rules, and transactions are properly recorded. In addition, the group provides substantial support with the data collection and preparation of the annual Risk Spending Accountability Report (RSAR). The Business Planning personnel also provide financial support to regulatory proceedings and other compliance filings impacting their assigned division, including support for GRC proceedings as lead and support planners, which includes developing the forecast and assistance with testimony. Other examples include supporting the Wildfire Mitigation Plan filing, cost forecasts, and data requests from the CPUC.

c. Financial & Strategic Analysis

The Financial & Strategic Analysis group directs and oversees the financial modeling and advisory services for SDG&E's internal clients. The group leads performance of financial and business analysis and research for strategic investments and initiatives, and review of business cases for new capital investments that mitigate risks and enhance operational effectiveness. In addition, the group develops, updates, and maintains the revenue requirement/ratemaking model for incremental projects and internal analysis, supports key regulatory filings, and participates as a Company witness in proceedings before the CPUC.

Financial & Strategic Analysis also conducts financial modeling and analysis to support business cases and financial plans for incremental capital projects. In the financial modeling area, the group develops and analyzes the calculation of revenue requirements in support of significant regulatory filings, including testifying before the CPUC on the assumptions and methodologies supporting the proposed revenue requirements. The group maintains the financial evaluation model that is utilized Company-wide, thereby applying consistent economic, regulatory, and financial assumptions in the evaluation of SDG&E's capital projects. In addition, the group supports capital projects by performing short and long-term financial analysis and evaluation of project viability by incorporating current and evolving economic assumptions, regulatory compliance measures, and accounting standards into

relevant financial models. In support of the internal financial planning process, the group is responsible for the development of pro forma financial statements for SDG&E's incremental projects. The group also provides strategic guidance and performs financial due diligence on new proposals and regulatory filings.

2. Forecast Method

A base year methodology was used for forecasting the Financial & Business Planning costs. The base year was adjusted by \$0.617 million primarily for critical vacancy backfills and compensation modernization adjustments.⁵ The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs. Financial & Business Planning provides essential financial support and oversight, and other support to SDG&E's business units. This method promotes accuracy and traceability to recent historical costs that consider the affordability and efficiency measures the company has undertaken.

3. Cost Drivers

The costs of the Financial & Business Planning department are primarily labor driven and fluctuate depending upon the strategic plan of the Company, the Company's capital program, new initiatives, new accounting guidance, regulatory requests, and policy directives impacting the Company's operations. The business planning group works closely with the operating divisions to provide budget, accounting, and financial support of department programs and initiatives. In addition, as regulatory requirements continue to grow, the Business Planning group's assistance with additional data requests and support in connection with regulatory proceedings has also increased. Cost drivers for incremental adjustments include critical vacancy backfills and compensation modernization adjustments.

F. Business Innovations & Systems and Financial Systems Client Support

TABLE MM-8
Summary of Business Innovations & Systems and Financial Systems Client Support Costs

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
E. Business Innovations & Systems and Financial Systems Client Support	655	1,046	1,701	690	1,067	1,757	35	21	56

⁵ Labor cost increases reflect changes associated with the Compensation Modernization Initiative. See Compensation and Benefits Testimony, Ex. SCG-16/SDGE-20.

1. Description of Costs and Underlying Activities

The Business Innovations & Systems and Financial Systems Client Support department includes two groups: Business Innovations & Systems and Financial Systems Client Support. More information about each group is provided below.

a. Business Innovations & Systems

The Business Innovations & Systems group includes two sub-groups, Business Innovations and Financial Planning Systems.

i. Business Innovations

Business Innovations provides business process optimization and technology support to the SDG&E Accounting and Finance division relating to company-wide O&M costs. This sub-group's role is to identify efficiencies that can be achieved by process and/or technology changes, automation of processes, and to help implement those changes. This sub-group also administers the system that facilitates O&M planning.

ii. Financial Planning Systems

The Financial Planning Systems sub-group provides full application support relating to capital-related functions. This sub-group provides support to both SDG&E and SoCalGas. The capital planning system is a licensed product that provides an efficient planning and tracking tool for capital projects for both companies. The sub-group's responsibilities include design and development of new capabilities and reports, administration of ongoing activities, troubleshooting of any issues, as well as data validation and governance.

b. Financial Client Support

The Financial Systems Client Support group provides financial system support including training, system reporting, upgrades and improvements to the SDG&E Accounting and Finance division. This group's role is to monitor the financial systems for accurate recording and reporting of financial transactions and to support control testing under SOX. The Financial Systems Client Support group also assists in gathering data for regulatory filings, data responses, and analytics.

2. Forecast Method

A base year methodology was used for forecasting the Business Innovations and Financial Systems Client Support costs. The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs. Business Innovations and Financial

Systems Client Support provide critical financial systems support, technology enhancements to increase productivity, compliance governance, oversight of controls, and other support to SDG&E's business units. This method promotes accuracy and traceability to recent historical costs that consider the affordability and efficiency measures the company has undertaken.

3. Cost Drivers

The costs of the Business Innovations & Systems group are primarily driven by both labor and the business need for software licenses. An adjustment of \$0.056 million reflects changes in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20. The costs of the Financial Systems Client Support group are primarily labor driven and fluctuate depending upon new accounting guidance, regulatory requests, and policy directives impacting the Company's operations.

G. Banking Fees

TABLE MM-9
Summary of Banking Fees Costs

A. ACCOUNTING AND FINANCE DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
F. Banking Fees	111	-	111	690	-	690	579	-	579

1. Description of Costs and Underlying Activities

Banking Fees include amounts paid to financial institutions for services related to bank accounts, such as bank account maintenance fees; transaction fees for activities such as wire transfers, ACH transactions, and check processing; service charges for bank account statements, lockbox services, and fraud prevention services. The major fee categories are discussed further below.

- Electronic receivables – This includes the ACH fees charged when payments are received from retail and corporate customers. Examples include, but are not limited to, automatic withdrawals from customer accounts, returns and advice notifications for invalid payments, fraud protections on the bank accounts, EDI remittance advice from corporate customers, data/file transmissions, as well as imaging checks and converting them to electronic deposits.
- Electronic payables – This includes wire fees and check outsourcing costs.

Maintaining bank accounts is essential for core operations such as customer payments, refunds, vendor payments, and payroll. Banking fees are shifting from Corporate Center Administration to SDG&E between 2025 and 2027. As a result, the A&G area requests \$0.690 million in TY 2028 as these costs transition from Corporate Center to the utility, which is an increase of \$0.579 million compared to base year 2025 to reflect non-discounted fees. The transition to a new bank in June 2025 provided a reprieve of bank fees for two years. This covered July 2025 through June 2027, which is why there will be partial fees for the years 2025 and 2027 and minimal fees from other banks during 2026. While there was a discounted overall pricing benefit, this benefit was offset by the addition of services, such as outsourcing check payments.

2. Forecast Method

A base year methodology was used for forecasting the Banking Fees costs. The base year was adjusted by \$0.579 million to annualize the banking fees without discounts. These adjustments reflect the steady-state cost of operations by eliminating non-recurring costs. The resulting expenses will be included in the TY 2028 revenue requirement as forecasted.

3. Cost Drivers

SDG&E requests \$0.690 million in non-labor to address the shift of banking fees to SDG&E from Corporate Center. The increase of \$0.579 million is driven by discounts received in 2025 that are not expected to continue in 2028.

IV. LEGAL DIVISION

A. Introduction

SDG&E's Legal Division manages SDG&E's legal matters, issues, and risks and advises senior management and the Board of Directors on legal matters impacting the Company. Additionally, the Legal Division supports SDG&E's broader goals with respect to safety, reliability, and sustainability. The Legal Division consists of the following departments, which will be described in greater detail below:

- Legal Department
 - State Regulatory Law
 - Federal Regulatory Law, Policy & Compliance
 - Litigation
 - Commercial Law
 - Environmental & Real Estate Law

- Administrative staff
- Outside Legal
- Claims
 - Claims Payments and Recovery Cost
 - Claims Write-offs

The Legal Division oversees and manages legal matters for SDG&E with the support of personnel in five disciplines of law – Regulatory, Commercial, Litigation, and Environmental & Real Estate. SDG&E’s Legal Division also includes the Claims department, and a staff of legal associate attorneys, paralegals, and administrative assistants. The costs of this division include labor, the associated non-labor costs, and the payments and recovery costs of third-party claims and write-offs. SDG&E uses outside counsel to handle certain matters that require special skills or when a case or matter requires additional resources beyond the capacity of the Legal Division. SDG&E is seeking TY 2028 costs of \$29.271 million compared to the 2025 adjusted-recorded costs of \$24.974 million. This increase of \$4.297 million over 2025 costs is primarily due to an increase in critical vacancy backfills, compensation modernization adjustments,⁶ two new VP and Deputy General Counsel positions, and Claims Payments and recovery costs increases. O&M costs of the Legal Division are both shared and non-shared and are summarized in Table MM-10.

TABLE MM-10
Summary of Legal Division Shared and Non-Shared Costs

B. LEGAL DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
A. Legal Department	11,223	-	11,223	12,314	1,042	13,356	1,091	1,042	2,133
B. Outside Legal	6,878	-	6,878	6,878	-	6,878	-	-	-
C. Claims	1,632	-	1,632	1,815	-	1,815	183	-	183
D. Claims Payments & Recovery Cost	2,997	-	2,997	4,970	-	4,970	1,973	-	1,973
E. Claims Write-offs	2,244	-	2,244	2,252	-	2,252	8	-	8
Total O&M	24,974	-	24,974	28,229	1,042	29,271	3,255	1,042	4,297

⁶ Labor cost increases reflect changes associated with the Compensation Modernization Initiative. See Compensation and Benefits Testimony, Ex. SCG-16/SDGE-20.

B. Legal Department

TABLE MM-11
Summary of Legal Department Costs

B. LEGAL DIVISION (In 2025 \$)	2025 Adjusted-Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
A. Legal Department	11,223	-	11,223	12,314	1,042	13,356	1,091	1,042	2,133

1. Description of Costs and Underlying Activities

For TY 2028, SDG&E's Legal Department forecasts expenses of \$13.356 million, representing an increase of \$2.133 million from 2025 adjusted-recorded costs. SoCalGas and SDG&E Legal are led by shared officers. The Senior Vice President and General Counsel oversees the legal departments of both utilities.⁷ There are three Vice Presidents and Deputy General Counsels⁸ who are responsible for the following functional areas of the law department at both utilities: Regulatory, Commercial, Litigation, and Environmental & Real Estate and the practicing attorneys who are assigned to each practice area.

The Legal Department manages SDG&E's legal matters, issues and risks and advises senior management and the Board of Directors on matters impacting the Company. It also represents the Company on legal matters pertaining to SDG&E described specifically in the sections below.

a. State Regulatory Law

The State Regulatory Law group represents SDG&E in regulatory proceedings (*e.g.*, rate setting, rulemakings, applications, investigations and complaints) at the CPUC, as well as in matters before other regulatory agencies (*e.g.*, California Energy Commission (CEC), Office of Energy Infrastructure Safety (OEIS), Nuclear Regulatory Agency) and local regulatory bodies as needed. This group also provides legal guidance to management and operational groups on new and existing rules, regulations (*e.g.*, AB 1167), tariffs, rate issues, initiatives, and compliance matters involving regulatory agencies.

⁷ Previously SoCalGas's and SDG&E's legal departments were led by separate general counsels for each company. The move to shared officers promotes consistent leadership and strategic legal oversight across both utilities, leveraging the shared-officer structure to promote efficiency, coordination, and synergies.

⁸ The request for labor and non-labor associated with the shared Vice President & Deputy General Counsel-Regulatory is presented in the SoCalGas Administrative and General Testimony, Ex. SCG-19. The request for labor and non-labor associated with the shared Vice President & Deputy General Counsel-Litigation and Vice President & Deputy General Counsel-Commercial and Environmental are included here.

1 State Regulatory attorneys also contribute to legislative analysis and other legal matters (*e.g.*, litigation
2 and commercial) involving questions of regulatory law or which overlap with regulatory proceedings.

3 The volume and complexity of the State Regulatory Law group's workload has increased due to
4 a significant number of new energy-related laws and rapidly evolving energy policy. In particular, an
5 active California Legislature and Governor in the areas of wildfire management, affordability and clean
6 energy goals have resulted in a wide variety of new laws. These new laws, in turn, have resulted in new
7 proceedings at the agencies who regulate SDG&E, particularly the CPUC.

8 In addition to activity driven by new legislation, the CPUC has developed its own initiatives to
9 address many of the same areas, including utility risk assessment, affordability, grid reliability, energy
10 efficiency, safety, rate reform (including Power Charge Indifference Adjustment-related proceedings),
11 integrated resource planning, and distributed energy resources (DER), all of which have resulted in new
12 regulatory demands and compliance mandates. New proceedings include: Order Instituting Rulemaking
13 (OIR) on California Advanced Electric Rate Design (R.26-04-009), OIR to Refine the Risk-Based
14 Decision-Making Framework for Electric and Gas Utilities (R.26-04-016), OIR for Oversight of Energy
15 Efficiency Portfolios, Policies, Programs, and Evaluation (R.25-04-010), OIR to Update and Reform
16 Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes
17 (R.25-02-005), OIR to Update Rules for the Safety, Reliability, and Resiliency of Electrical Distribution
18 Systems (R.24-05-023), OIR to Improve the California Climate Credit (R.25-07-013), OIR Regarding
19 Transportation Electrification Policy and Infrastructure (R.23-12-008), and Strategic Undergrounding
20 (A.26-02-005). The majority of regulatory legal matters are handled internally by the State Regulatory
21 Law group, without the use of outside counsel.

22 There are also demands on the State Regulatory Law group due to the expansion of Community
23 Choice Aggregators (CCAs) in SDG&E's service territory. CCAs represent a new category of parties
24 whose participation in a wide variety of regulatory proceedings has continued to grow. For example, in
25 proceedings related to the EERRA (including forecast, compliance, and trigger proceedings) and rate
26 design, CCAs continue to take a very active role. Such engagement by new parties representing new
27 regulatory issues and concerns has created increased demands on the department.

28 With new initiatives and emerging issues, compliance requirements follow and involve
29 advocacy, advice, and counsel by State Regulatory Law attorneys. These new proceedings are in
30 addition to recurring proceedings/reporting related to the following: GRC, RAMP, SPMR, RSAR, cost
31 of capital, electric and natural gas commodity filings (*e.g.*, EERRA), cost allocation/rate design,

1 integrated resource planning, resource adequacy, distributed energy resources, PTC/CPCN applications,
2 P.U. Code section 851 filings, CPUC-related Affiliate Compliance reporting, Wildfire Mitigation Plan
3 and Compliance reporting, and Public Safety Power Shutoff reporting, among others. Given that the
4 base year reflects retirement-related vacancies associated with Senior Counsel positions, SDG&E is
5 requesting incremental funding to backfill for such vacancies. SDG&E requires a full staff in order to
6 meet the increasing demands in this area.

7 **b. Federal Regulatory Law, Policy & Compliance**

8 The Federal Regulatory Law, Policy & Compliance group is comprised of three sub-groups,
9 which provide legal and compliance support and guidance to management and operational groups on
10 new and existing rules, regulations, tariffs, rate issues, initiatives, rulemakings, complaints, and
11 investigations involving federal energy regulatory agencies. This group is focused on federal regulatory
12 and compliance matters due to increasing demand in legal and compliance related areas. These matters
13 are distinct from the California state and local regulatory matters handled by the Regulatory Law group
14 and include unique issues, including issues that overlap with CPUC-jurisdictional matters.

15 As noted above, the Federal Regulatory Law, Policy & Compliance group is comprised of three
16 sub-groups. The Legal group supports SDG&E in regulatory proceedings at FERC and other federal
17 regulators, such as the U.S. Department of Energy and Commodity Futures Trading Commission, and
18 contributes to other legal matters (*e.g.*, litigation and commercial) with a federal regulatory basis or
19 implication. In addition, as resource needs arise, members of the Legal group provide support for
20 SDG&E in regulatory proceedings at the CPUC. Second, the Federal Reliability Compliance group
21 provides compliance guidance to management and operational groups regarding electric reliability
22 standards promulgated by the North American Electric Reliability Corporation. Finally, the Federal
23 Regulatory Compliance group provides compliance guidance to management and operational groups
24 regarding various federal regulatory compliance obligations, which include, among others, the standards
25 of conduct and the compliance obligations associated with SDG&E's electric market-based rate
26 authorization.

27 **c. Litigation**

28 The Litigation group represents SDG&E in civil litigation proceedings, ranging from the defense
29 of personal injury and property damage lawsuits to more complex commercial, environmental, and
30 business litigation. This group also pursues litigation to recover the costs of facilities and equipment
31 damaged by third parties. Company litigation matters are largely handled by the Company litigation

attorneys, from initial filing and discovery through the trial completion or settlement, while outside counsel is used where appropriate, including where specialized expertise is required or where additional resources are needed. As to those matters, the Company litigation attorneys are actively monitoring, overseeing, and providing support to outside counsel. The Litigation Group also manages SDG&E's Claims department and provides advice, guidance, and direction to that group as it oversees claims brought against the Company, or those brought on behalf of the Company. In addition, the Litigation Group also provides preventative law advice and counseling and training to the business groups.

The Litigation group's workload continues to increase due to many factors. In particular, the volume and complexity of litigation have increased markedly as the organization generates and retains ever-growing amounts of data and documentation. Modern company projects typically involve multiple stakeholders, digital platforms, and extensive records – emails, messages, contracts, designs, and data sets – that expand both the scope of potential disputes and the evidentiary footprint required to resolve them. At the same time, heightened regulatory scrutiny, broader data-retention practices, and greater awareness of legal rights have contributed to an increasing volume of claims and lawsuits. Together, these factors drive more frequent claims, higher discovery costs, and longer, more complex litigation, as parties must identify, preserve, review, and produce vast volumes of information to meet legal and compliance obligations. The Litigation group is requesting incremental funding for one Associate Counsel position backfill in order to meet the increasing demands in this area.

d. Commercial Law

The Commercial Law group provides legal counsel and support across a broad range of SDG&E business operations and transactional activities. The group is responsible for the legal aspects of business transactions of all types, including drafting and negotiating contracts for the procurement of goods and services, development and construction of new SDG&E assets, maintenance and services for existing SDG&E assets, energy procurement, utility system interconnections, licensing, intellectual property, technology matters, credit and collateral support and customer programs. Commercial Law also reviews and advises on external communications and materials where legal review is required, including contractual, vendor-facing, and customer-facing communications.

In addition, the Commercial Law group provides day-to-day legal advice and counseling on rights and obligations under existing and new agreements and on compliance with applicable federal, state, and local laws. This includes advising on contract interpretation, risk allocation, remedies, indemnification, insurance and credit support requirements, intellectual property, confidentiality and

1 data protection, and other compliance-related provisions embedded in commercial arrangements. The
2 group works closely with various SDG&E business units and external stakeholders to support the timely
3 execution of business objectives while appropriately managing legal, commercial, and compliance risk.

4 **e. Environmental & Real Estate Law**

5 The Environmental & Real Estate Law group provides comprehensive legal counseling on
6 environmental and real estate matters. These matters include complying with federal, state, and local
7 laws and advising the Company on obtaining environmental approvals and property rights for
8 construction, operations, and maintenance of electric and natural gas infrastructure and other Company
9 facilities.

10 This group represents the Company in environmental and real estate transactions and in
11 proceedings before agencies with jurisdiction over air quality, cultural and historic resources,
12 greenhouse gas emissions, hazardous materials and waste, infrastructure siting, real property
13 transactions and land management, species protection, and water quality. This group also advises and
14 represents the Company in regulatory proceedings that require environmental review and approval by
15 the CPUC or other agencies, such as proceedings for capital projects and pipeline integrity work.

16 **f. Administrative Staff**

17 SDG&E's administrative staff includes paralegals and administrative assistants. Paralegals
18 engage in a variety of tasks, including organization of filings, legal research, monitoring agency
19 activities and proceedings, developing administrative records, creating and managing databases, tracking
20 and marking exhibits at hearings, researching testimony, and receiving and responding to thousands of
21 third-party subpoenas. In addition, paralegals identify and collaborate with internal witnesses to collect
22 relevant documentation for judicial and administrative proceedings involving CPUC and other agency
23 permitting, agency investigations and enforcement actions, and administrative appeals. Administrative
24 Assistants provide general administrative support as well as specialized support depending on practice
25 areas. They are required to be knowledgeable and proficient in civil and regulatory rules, practices, and
26 procedures, as well as continually enhance their skills as technologies and business practices change

27 **2. Forecast Method**

28 A base year methodology was used for forecasting the Legal Department costs. The base year
29 was adjusted by \$2.133 million primarily related to two new VP and Deputy General Counsel positions
30 as well as critical vacancy backfills and compensation modernization adjustments. In addition, the base
31 year was adjusted by \$0.100 million in non-labor for travel-related activities as the CPUC returns to in-

1 person hearings and workshops. The base year methodology best represents a reasonable estimate of
2 annual costs because the forecast is grounded in actual, recent costs and best represents the amount of
3 activity this group is experiencing. The Legal Department enables lawful operation in a complex
4 regulatory environment, provides essential compliance governance, oversight, and other support to
5 SDG&E's business units.

6 **3. Cost Drivers**

7 The Legal department provides many services and has experienced an increase in workload due
8 to various changes and developments in the business and regulatory areas. The volume and complexity
9 of regulatory work have been impacted by new regulatory requirements and the expansion of
10 proceedings requiring legal staffing.

11 The Legal Department is requesting incremental labor and non-labor for two new VP and Deputy
12 General Counsel positions created at the beginning of 2026. These positions specifically relate to the
13 VP and Deputy General Counsel of Litigation, and the VP and Deputy General Counsel of Commercial
14 and Environmental Law. The two new Vice President and Deputy General Counsel positions are needed
15 to provide consistent leadership and strategic legal oversight across both utilities, leveraging their
16 shared-officer structure to promote efficiency, coordination, and synergies. Their addition will enhance
17 coordination, deepen subject-matter oversight, and improve the Law Department's ability to meet
18 growing demands efficiently.

19 Additionally, the department is requesting to fill 3 critical vacancy backfill positions. There are
20 two senior counsel positions in the Regulatory Law department and one Associate Counsel, for a total
21 labor increase of \$0.373 million. The remaining labor increase of \$0.617 million is related to the
22 compensation modernization adjustments for the Legal department. Please refer to the Compensation
23 and Benefits testimony, Ex. SCG-16/SDGE-20.

24 The requested increase in non-labor O&M is necessary to cover an increase in travel expenses
25 necessitated by the CPUC's return to in-person CPUC hearings and workshops. Regulatory attorneys,
26 as well as support staff, represent SDG&E at prehearing conferences, status conferences, and evidentiary
27 hearings. Regulatory attorneys also regularly attend proceeding workshops. Since 2020, the majority of
28 CPUC hearings and workshops have been virtual. Recently more hearings and workshops have returned
29 to in person and SDG&E anticipates that this trend will continue. Many of these hearings and
30 workshops are located in Northern California necessitating travel and associated expenses. The average
31 spend from 2018 to 2019 was used as a basis for determining the future travel needs.

C. Outside Legal

TABLE MM-12
Summary of Outside Legal Costs

B. LEGAL DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
B. Outside Legal	6,878	-	6,878	6,878	-	6,878	-	-	-

1. Description of Costs and Underlying Activities

For TY 2028, SDG&E's Outside Legal forecasts expenses of \$6.878 million, which is consistent with 2025 adjusted-recorded costs. SDG&E uses outside Legal services to handle certain matters that require special skills or subject-matter expertise or when a case/matter requires additional resources beyond the capacity of the Legal Department. Retention and oversight of outside legal counsel is coordinated by Sempra Corporate Legal, on behalf of the Legal groups at SoCalGas and SDG&E. My testimony includes the costs associated with Outside Legal Services that are directly billed to SDG&E.

When evaluating and selecting outside legal counsel, the Legal Department at SDG&E seeks to achieve efficiency and cost-effectiveness relative to the associated level of risk, complexity, and scope of the legal matter at hand. Additionally, Sempra Corporate Legal, in consultation with SDG&E, has undertaken an extensive review of its outside law firms utilized, considering a number of different attributes including excellence in work product, responsiveness, cost effectiveness, creativity, and initiative. The objective of this review was to reduce the overall number of law firms used and to concentrate work with a smaller number of firms in order to leverage Sempra's scale and purchasing power to increase efficiencies and reduce costs.

The analysis and forecasting of Outside Legal Services in this testimony include reasonably incurred legal costs, a standard that does not depend on whether legal activities were ultimately successful. In addition, certain Outside Legal Services costs are excluded from SDG&E's GRC request in accordance with applicable regulations or based on prior CPUC rulings. Please refer to the Compliance Testimony (Ex. SCG-30/SDGE-36) for additional information.

2. Forecast Method

The TY 2028 forecasts for Outside Legal Services are based on base year 2025 activity. This method was selected based on evaluation of the cost drivers for Outside Legal Services, which are discussed below.

3. Cost Drivers

Legal matters requiring the engagement of outside legal counsel are generally unique and highly variable from year-to-year, as outside legal counsel is typically used when the internal legal resources at SDG&E, hired to manage standard and/or recurring legal activities associated with normal business operations, are not available or are not of sufficient expertise to litigate a specific legal matter. The ability to predict the volume, complexity and duration of legal matters that would require the use of outside counsel along with the associated costs is highly subjective. It was determined that BY 2025 Outside Legal Services costs would be best representative of the expected activity involving outside legal counsel for TY 2028 given these are the most recently incurred annual costs.

D. Claims and Claims Payments and Recovery Costs

TABLE MM-13
Summary of Claims and Claims Payments and Recovery Costs

B. LEGAL DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
C. Claims	1,632	-	1,632	1,815	-	1,815	183	-	183
D. Claims Payments & Recovery Cost	2,997	-	2,997	4,970	-	4,970	1,973	-	1,973
Total	4,629	-	4,629	6,785	-	6,785	2,156	-	2,156

1. Description of Costs and Underlying Activities

For TY 2028, the Claims Management department requests \$6.785 million, which represents an increase of \$2.156 million from 2025 adjusted recorded. The change is primarily related to the Claims Payments and Recovery Cost workpaper, as a five-year average was used to forecast the TY. The Company's trend of litigation and claims does not necessarily predict the future. To predict and plan for claim payments to third parties for TY 2028 is challenging, given the nature, unpredictability, and volatility of events that could occur that would cause the Company to incur additional unanticipated costs.

The Claims department is responsible for the investigation, processing, recovery of and payment for all third-party property damage, along with general liability, motor vehicle accident and bodily injury claims for SDG&E. Responsibilities include conducting investigations, 24/7 on-call response, taking witness statements, adjusting claims, inspecting property and physical damages, preparing claims reports, preserving evidence, documenting facts into the claims management system, determining

1 Company liability, coordinating and recovering claims from insurance, and settlement/collection from
2 the responsible party. The department also conducts loss prevention activities designed to protect assets,
3 prevent and reduce accidents, which mitigate utility operational expenses, reduce customer costs, and
4 promote public safety. The following is a non-exhaustive list of issues the Claims department processes
5 and manages:

- 6 • Claims paid to third parties;
- 7 • The defense and settlement of claims and cases;
- 8 • The engagement and management of outside experts to provide expert opinion and
9 forensic analysis;
- 10 • Filing of claims and seeking recovery of claims from insurance companies;
- 11 • Seeking compensation for damages to SDG&E property, facilities, equipment, systems,
12 and accident costs by at-fault responsible third parties.

13 The Claims department processes claims paid to third parties related to property damage,
14 business income losses, and bodily injury claims. Before any third-party claim is paid, research and
15 analysis are performed to validate that the claim is legitimate, and the claim has been properly valued.

16 While SDG&E manages its operations to mitigate the impact of third-party claims, exposure to
17 such claims remains an inherent and ongoing risk to the Company, given the nature of its business, and
18 the extensive presence of property, assets, and resources throughout SDG&E's service territory.

19 **2. Forecast Method**

20 The non-shared services Claims Department utilizes a base year forecast methodology. This
21 method is the most appropriate because it reflects a reasonable estimate of annual costs because the
22 forecast is grounded in actual, recent costs.

23 For non-shared services related to claims payments and recovery, a five-year average (2021–
24 2025) is used to forecast test year 2028. The five-year average provides a reasonable estimate of annual
25 costs given the year-to-year variability and the cyclical nature of these expenses. Historically, SDG&E
26 has seen the claims vary significantly from one year to the next. While SDG&E manages its operations
27 to mitigate the impact of third-party claims as much as possible, exposure to such claims remains an
28 inherent and ongoing risk to the Company given its extensive presence of property, assets, and resources
29 across a wide geographic region. As such, it is important that any forecast of claims captures a period
30 that is long enough to reflect the highs and lows of activity that cannot be easily predicted or controlled.
31 Accordingly, a five-year historical average is appropriate to capture a reasonable cycle of Claims

Payments and Recovery Expense activity. This methodology has been consistently applied to this department in prior SDG&E GRCs.

3. Cost Drivers

The Claims department conducts all investigations into third party damage claims and determines liability, settlement, and collection of claims from the responsible party. The Claims department documents all incidents, retaining experts (as needed) and takes the other necessary steps to investigate any potential liability. SDG&E adjusters are cross trained to adjust liability, bodily injury, motor vehicle accident, and third-party damage/recovery claims.

This department is requesting \$1.973 million in non-labor associated with the non-labor for the Claims Payments and Recovery Expense activity based on the five-year average methodology. Additionally, SDG&E is requesting \$0.183 million in labor expenses related to an incremental Claims advisor starting in January 2026, as well as an adjustment of \$0.073 million in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDG&E-20.

E. Claims Write-offs

TABLE MM-14
Summary of Claims Write-offs Costs

B. LEGAL DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
E. Claims Write-offs	2,244	-	2,244	2,252	-	2,252	8	-	8

1. Description of Costs and Underlying Activities

This section addresses expenses related to unpaid claims for damaged SDG&E facilities (*e.g.*, claim write-offs). Such incidents occur when third parties damage utility assets, including above-ground equipment (*e.g.*, poles, transformers, and switches), or underground infrastructure (*e.g.*, gas pipelines or buried cable). When these situations occur, SDG&E performs the necessary repairs and bills the party responsible, if known, so that SDG&E customers do not pay for the cost of the repairs. While diligent efforts are made to identify and collect from the responsible parties, full recovery is not always achievable. Once a claim is determined to be uncollectible, the claim is written off.

For TY 2028, the Claims Management department requests \$2.252 million, which represents an increase of \$0.008 million from 2025 adjusted recorded. The change is primarily driven by the use of a

five-year average forecast method in claims write-off expenses that accounts for the unpredictable nature of these activities.

2. Forecast Method

A five-year average (2021–2025) of actual recorded write-offs is used to forecast TY 2028. The five-year average provides a reasonable estimate of annual costs given the year-to-year variability of these expenses.

3. Cost Drivers

Claim’s write-offs are SDG&E’s actual recorded costs to repair damaged assets that SDG&E could not collect from third-parties. SDG&E’s request for \$2.252 million in non-labor funding is a reasonable estimate of costs needed going forward. There are no adjustments to the five-year average forecast for this department.

V. ENTERPRISE RISK AND COMPLIANCE MANAGEMENT DIVISION

A. Introduction

Included in this section of testimony are activities and associated O&M expenses to address Enterprise Risk and Compliance Management activities. SDG&E is seeking TY 2028 costs of \$5.760 million compared to the 2025 adjusted-recorded costs of \$5.411 million. This increase of \$0.349 million over 2025 costs is primarily due to labor needed to address increased data collection and reporting requirements required by the Commission’s evolving Risk-Based Decision-Making Framework (RDF), perform complex modeling and data analysis as required by the Commission’s RDF, strengthen controls, monitoring, and governance of compliance activities at the enterprise level, and maintain compliance with new or expanded legal and regulatory requirements.

These activities and expenses are summarized in Table MM-15 below.

TABLE MM-15
Summary of Enterprise Risk and Compliance Management Division Non-Shared Costs

E. Enterprise Risk & Compliance Management Division (In 2025 \$)	2025 Adjusted-Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
E. Enterprise Risk & Compliance Management	5,411	-	5,411	5,760	-	5,760	349	-	349

1 **1. Description of Costs and Underlying Activities**

2 SDG&E's Enterprise Risk and Compliance Management Division is led by the Vice President -
3 Chief Risk Officer and Chief Compliance Officer,⁹ a shared officer, whose role is to oversee the
4 implementation of prudent enterprise risk and compliance management practices for SoCalGas and
5 SDG&E. This role is responsible for implementation of compliance programs to adhere to legal,
6 regulatory, and Company standards and policies as well as developing and setting risk management
7 policy to assist SDG&E in managing its risks through a structured, increasingly data-driven approach
8 that identifies threats and hazards, assesses and prioritizes risks, implements mitigation efforts, and
9 engages in assessments and reviews to understand risk mitigation effectiveness. SDG&E's risk
10 philosophy is discussed in the Risk Management volume (Ex. SCG-02/SDG&E-02).

11 SDG&E's Enterprise Risk & Compliance Management Division is organized into three
12 functional areas: 1) Enterprise Risk Management, 2) Compliance and Integrity, and 3) Energy Risk
13 Management, which are described below.

14 **a. Enterprise Risk Management (ERM)**

15 The ERM group oversees the assessment and monitoring of enterprise risks. It promotes the
16 integration of risk concepts and analysis in asset management and investment processes to support the
17 strengthening of SDG&E's safety culture. An essential element of an effective risk management
18 function is a consistent process for identifying, evaluating, prioritizing, and documenting enterprise risk
19 and risk mitigation plans. SDG&E's annual risk registry process documents the prioritization of
20 potential business and operational risks. This enables the Company to manage risk in a coordinated and
21 proactive manner, advancing risk mitigation and promoting continuous improvement. The ERM group
22 is also responsible for the Company's compliance with and implementation of the CPUC's RDF.

23 ERM supports effective governance over risk management activities and identification of
24 continuous improvement opportunities by facilitating quarterly Directors Risk & Compliance Council
25 (DRCC) meetings to discuss and manage risks and risk mitigations at the senior management level. Key
26 information and actions are disseminated across the leadership team and status updates and information
27 are delivered back up to the executive team.

⁹ The request for labor and non-labor related to the Vice President-Chief Risk Officer and Chief Compliance Officer can be found in the SoCalGas Administrative and General Testimony, Ex. SCG-19. Previously SoCalGas's and SDG&E's Enterprise Risk and Compliance Management activities were led by separate risk officers at each company. The move to a shared officer promotes consistent leadership and oversight across both utilities, leveraging the shared-officer structure to promote efficiency, coordination, and synergies.

1 In addition, ERM supports the Safety Management System (SMS) by working with operating
2 groups to assess their operational risks. Evaluating risks at the enterprise and operational levels provides
3 a top-down and bottoms-up approach to risk assessments and risk treatment decisions.

4 In addition to the responsibilities listed above, this department assists in the coordination and
5 compilation of information for risk related regulatory proceedings by reviewing Commission decisions
6 and rulings, assisting with drafting comments and responses to support the Commission's regulatory
7 process, and working with the impacted operating groups to compile the necessary data to comply with
8 risk-related reporting requirements. The risk-related regulatory proceedings and reporting requirements
9 include: the RDF, the Risk Assessment Mitigation Phase (RAMP), the Safety Performance Metrics
10 Report (SPMR), Risk Spend Accountability Report (RSAR), and Risk Management Accountability
11 Report (RMAR).¹⁰

12 The ERM department includes a Quantitative Risk Management (QRM) function that applies
13 data-driven, probabilistic, and quantitative methods to assess risk and evaluate the effectiveness of
14 mitigation strategies. QRM supports compliance with the Commission's evolving RDF requirements
15 (discussed further below) and requirements adopted in other regulatory proceedings. ERM also works
16 with departments across the Company to enhance risk valuation and promote risk modeling practices
17 that meet external expectations while aligning with SDG&E's commitment to continuous improvement.

18 Since the TY 2024 General Rate Case filing, the regulatory framework for quantifying risk and
19 mitigation effectiveness has become more complex, particularly under recent decisions in the CPUC's
20 RDF Order Instituting Rulemaking (OIR) (R.20-07-013). Key changes include the adoption of an
21 advanced risk-mitigation monetization framework that replaces Risk Spend Efficiency metrics with
22 Benefit-Cost Ratios (BCRs) as part of evaluating mitigation investments. This updated framework
23 introduces expanded mathematical and computational requirements, including increased tranching rules,
24 the use of Consequence of Risk Event distributions, and support for convex societal risk-aversion
25 scaling. Additional requirements mandate sensitivity and scenario analyses, as well as replication of

¹⁰ See D.25-08-032; R.13-11-006, Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the Rate Case Plan for Energy Utilities (Risk Rulemaking); A.15-05-002 et al., Safety Model Assessment Proceeding (S-MAP); D.14-12-025; D.18-12-014, Decision Adopting Safety Model Assessment Proceeding (S-MAP) Settlement Agreement with Modifications (adopting Risk-Based Decision-Making Framework (RDF) and establishing Risk Assessment Mitigation Phase (RAMP) requirements); and R.20-07-013, Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities (RDF Rulemaking).

BCR calculations across three discount-rate scenarios, collectively increasing both analytical depth and computational volume.

More recently, the Phase 4 Decision (D.25-08-032) in the RDF OIR introduced further refinements, such as the use of probabilistic distributions for all risk models, implementation of backcasting, optimized budget-constrained mitigation portfolios, and development of standardized Risk Reporting Units and RAMP Data Templates. These changes will not only directly affect SDG&E's 2029 RAMP filing, but are increasingly required to be incorporated into other filings and proceedings at the Commission.¹¹

b. Compliance & Integrity

The Compliance & Integrity group oversees the Company's enterprise compliance management function as well as the implementation of specific programs to promote the Company's compliance with specific legal, regulatory, and Company standards and policies, including those related to Affiliate Compliance regulations, the Company's document retention and information management policies, and those related to compliance and reporting requirements. SDG&E's Compliance & Integrity function is informed by regulatory guidelines and recommended practices, including the U.S. Department of Justice Evaluation of Corporate Compliance Programs, U.S. Federal Sentencing Guidelines, and International Standard for Compliance Management Systems ISO 37301, with an emphasis on continuous improvement. Consistent with the September 2024 U.S. Department of Justice Guidance,¹² the Compliance & Integrity function includes periodic assessment of enterprise compliance risk and evaluation of the effectiveness of compliance management practices. Among other recommendations, this September 2024 update establishes the expectation that effective corporate compliance programs will include increased resources to gather and leverage data for compliance purposes, utilize data analytics and tools to measure the effectiveness of the company's compliance program, and include a process for identifying and managing internal and external risks that could impact the company's ability to comply with the law, including risks related to the use of new technologies. The Compliance &

¹¹ See, e.g., D.24-12-074 at 853 n.2884 ("This process shall follow the LoRE and CoRE risk tranching guidelines set forth in D.24-05-064 at 26."); Office of Energy Infrastructure Safety, *WMP Guidelines* (Feb. 2025), app. B, at B-21 ("The calculation of wildfire risk should be in alignment with the most recent CPUC decision governing RAMP filings. In the 2024 RDF decision, this is the direct multiplication of the ignition LoRE and ignition CoRE (see RDF, step 3, row 13).").

¹² U.S. Department of Justice, Criminal Division, Evaluation of Corporate Compliance Programs (Sept. 2024), <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl>.

1 Integrity group also partners with organizations throughout the Company to support the development of
2 enhanced compliance management practices and programs implemented by other departments.

3 Affiliate Compliance activities include overseeing the business processes intended to achieve
4 ongoing compliance with State and Federal regulations and reporting requirements. Records retention
5 and Information Management activities include implementation of an annual records review and
6 certification process, annual training, and a process for responding to employee questions and concerns
7 related to recordkeeping and information management, which are designed to preserve, protect,
8 organize, store, and dispose of company-related records in compliance with legal, regulatory, and
9 Company requirements.

10 Compliance activities also include the enhancement, implementation, and continuous
11 improvement of the Company's processes for compliance with State law and regulations. These
12 compliance activities include annual employee training, annual risk assessments, as well as
13 monitoring and reporting.

14 Compliance and Integrity also support efforts to foster an ethical culture of compliance among
15 employees through employee education and communication activities, including maintenance of an
16 enterprise compliance resource site for employees that includes guidance and reference materials to
17 promote compliance.

18 **c. Energy Risk Management**

19 The Energy Risk Management Department oversees risks associated with energy procurement
20 including identifying, managing, monitoring, and reporting on market, credit, financial, and operational
21 risks. Additionally, Energy Risk Management is responsible for managing commercial credit risk for
22 the entire Company, which includes performance of credit risk analyses, credit reviews of major end-
23 users, and risk reviews of commercial contracts prior to execution. Energy Risk Management is an
24 independent group reporting to the Enterprise Risk and Compliance Management division, which
25 promotes impartial risk assessment, compliance, and control activity in the procurement of energy.

26 Energy Risk Management conducts daily reviews of Energy Procurement's commodity
27 procurement activities including physical and financial positions, trader authority limits, counterparty
28 credit risk positions, and compliance with financial liquidity and margin requirements. To support
29 compliance with Commission-approved risk metrics¹³ and internal policies, the Energy Risk

¹³ D.12-01-033; D.15-10-031; Resolution E-5196.

1 Management Department reviews daily market pricing data, forward price curves, volatilities, and
2 correlations used for the evaluation and measurement of portfolio risk. On an ongoing basis, Energy
3 Risk Management performs hedging portfolio analyses and assists Energy Procurement in the
4 development of procurement and hedging plans, consistent with the Commission-approved Bundled
5 Procurement Plan, and monitors Energy Procurement's compliance with approved plans. Energy Risk
6 Management develops, maintains, and supports trading and risk management models and applications,
7 including modeling new technologies and facilities and enforcement of operational risk controls related
8 to the execution, recording, and valuation of trades. Energy Risk Management is also responsible for
9 maintaining compliance with related Dodd-Frank and Sarbanes-Oxley (SOX) 404 requirements, and
10 FERC-required reporting of fixed price transactions to index publishers. Energy Risk Management also
11 assesses credit exposure for various contracts and transactions, including long-term Power Purchase
12 Agreements, Resource Adequacy transactions, contract amendments, and other negotiated contracts.
13 The group works with Energy Procurement to determine credit terms and conditions to protect utility
14 customers and the financial health of the Company.

15 In addition to providing Energy Procurement with independent risk management as described
16 above, Energy Risk Management also conducts commercial credit risk analyses and functions for the
17 broader Company. These activities include establishing credit lines for counterparties, mitigating credit
18 risk, maintaining collateral, negotiating contract credit terms, and monitoring accounts receivables, as
19 related to commercial contracts and SDG&E's major end users. This includes the review of contracts
20 and tariffs that require credit provisions as well as review of the Company's use of various credit
21 instruments, such as parental guarantees, letters of credit, surety bonds, and other credit mitigation
22 agreements.

23 **2. Forecast Method**

24 A base year methodology was used for forecasting the Enterprise Risk and Compliance
25 Management Division costs. The base year was adjusted by \$0.349 million primarily in labor due to
26 FTEs needed to address increased data collection and reporting requirements required by the
27 Commission's evolving RDF, perform complex modeling and data analysis as required by the
28 Commission's RDF, strengthen controls, monitoring, and governance of compliance activities at the
29 enterprise level, and maintain compliance with new or expanded legal and regulatory requirements. The
30 base year methodology best represents a reasonable estimate of annual costs because the forecast is
31 grounded in actual, recent costs. This method is most appropriate because it is indicative of the current

1 risk management structure and takes into consideration the fact that regulatory requirements related to
2 risk and compliance have been increasing and are anticipated to continue to increase. Use of an average
3 forecast methodology is not appropriate because the historical costs do not represent the current and
4 future structure of this department and required risk mitigation and compliance activities.

5 **3. Cost Drivers**

6 In total, SDG&E seeks \$0.349 million over the base year for 2.0 FTEs for Enterprise Risk Senior
7 II, and 1.5 FTEs for Enterprise Compliance Senior II to support compliance with expanding regulatory
8 and risk-management requirements.

9 The key cost drivers behind this forecast are the labor resources necessary to continue to develop
10 and implement practices to meet the increasing compliance requirements described above. CPUC
11 risk-management requirements continue to increase in complexity and evolve rapidly, requiring
12 technical expertise to support timely and compliant implementation. The ERM organization must
13 update internal practices and support enterprise-wide changes in response to these evolving regulatory
14 expectations. SDG&E requests one Enterprise Risk position to support strategic and operational risk
15 management activities. This position will (1) identify strategic and emerging risks, (2) benchmark
16 industry practices, (3) develop and refine risk frameworks with business units, and (4) support annual
17 enterprise risk registry updates. The position will also provide guidance for risk-related regulatory
18 processes, including RDF proceedings, RAMP, the GRC, and the RSAR, and is necessary to meet new
19 requirements adopted in D.25-08-032, including implementation of the RMAR.

20 SDG&E also requests another Enterprise Risk position to support expanded quantitative and
21 analytical obligations under the RDF OIR Phase 4 Decision.¹⁴ New requirements include mitigation
22 portfolio-optimization scenario analysis, Consequence of Risk Event distribution modeling, residual risk
23 evaluation, backcasting, Risk Reporting Units, RAMP data templates, and analytical support for the
24 annual Risk Mitigation Accountability Report beginning in 2029. These known requirements, along
25 with potential mandates from future RDF phases or other proceedings, will further increase workload
26 and analytical rigor. As these demands grow, substantial upskilling will be required, including advanced
27 statistical training, deeper modeling capabilities, and enhanced data science and quantitative engineering
28 expertise. The heightened rigor will also necessitate more thorough documentation, enhanced
29 transparency, and sustained audit readiness.

¹⁴ D.25-08-032.

1 In addition, funding is requested to add one additional resource and one full year backfilled
2 position for the Compliance & Integrity department. One FTE is needed to meet anticipated regulatory
3 compliance and reporting activities related to new legislation. A second Compliance & Integrity
4 backfilled FTE is needed to support enhanced compliance risk assessment capabilities to monitor
5 compliance program effectiveness in alignment with the updated September 2024 U.S. Department of
6 Justice Evaluation of Corporate Compliance Programs guidance. Among other requirements, this
7 September 2024 update establishes the expectation that effective corporate compliance programs will
8 include increased resources to gather and leverage data for compliance purposes, utilize data analytics
9 and tools to measure the effectiveness of the company's compliance program, and include a process for
10 identifying and managing internal and external risks that could impact the company's ability to comply
11 with the law, including risks related to the use of new technologies. This backfilled employee resource
12 is needed to support continuous improvement of the enterprise compliance management function in
13 alignment with increasing Federal regulatory expectations.

14 **VI. REGULATORY AFFAIRS DIVISION**

15 **A. Introduction**

16 The Regulatory Affairs division provides regulatory case management, regulatory agency
17 relations management, oversight, regulatory strategy and policy formulation, legislative analysis and
18 implementation coordination, tariff administration, and numerous compliance services for the Company.
19 Regulatory Affairs works closely with various government and regulatory agencies, including the
20 CPUC, FERC, California Independent System Operator (CAISO), and the Office of Energy
21 Infrastructure Safety (OEIS). This testimony does not seek recovery of the costs associated with the
22 State Governmental Affairs department, which is responsible for providing legislative advocacy for the
23 utilities and ratepayers.

24 The Regulatory Affairs division consists of the following departments, which will be described
25 in greater detail below:

- 26 • SVP & Chief Regulatory Officer (CRO)
- 27 • Policy, State & Federal Regulatory Proceedings
- 28 • GRC & Revenue Requirements
- 29 • VP & San Francisco Operations (SF Operations)
- 30 • Strategic Planning, Regulatory Policy & Legislative Analysis

Regulatory Affairs TY 2028 forecast is \$9.481 million, compared to the 2025 base year of \$8.406 million. This \$1.075 million increase is primarily due to critical vacancy backfills and compensation modernization adjustments.¹⁵ O&M costs of the Regulatory Affairs division are separated between shared and non-shared and summarized in Table MM-16.

TABLE MM-16
Summary of Regulatory Affairs Division Shared and Non-Shared Costs

D. REGULATORY AFFAIRS DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
A. SVP & Chief Regulatory Officer (CRO)	-	542	542	-	542	542	-	-	-
B. Policy, State & Federal Regulatory Proceedings	-	3,236	3,236	-	3,874	3,874	-	638	638
C. GRC & Revenue Requirements	-	2,032	2,032	-	2,350	2,350	-	318	318
D. SF Operations	-	851	851	-	894	894	-	43	43
E. Strategic Planning, Regulatory Policy & Legislative Analysis	1,745	-	1,745	1,821	-	1,821	76	-	76
Total O&M	1,745	6,661	8,406	1,821	7,660	9,481	76	999	1,075

B. Senior Vice President & Chief Regulatory Officer

TABLE MM-17
Summary of SVP & Chief Regulatory Officer Costs

D. REGULATORY AFFAIRS DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
A. SVP & Chief Regulatory Officer (CRO)	-	542	542	-	542	542	-	-	-

1. Description of Costs and Underlying Activities

The SVP & CRO department includes the SVP in charge of Regulatory Affairs. This department engages with both state and federal agencies, such as the CPUC, CEC, CAISO and FERC. The primary

¹⁵ Labor cost increases reflect changes associated with the Compensation Modernization Initiative. See Compensation and Benefits Testimony, Ex. SCG-16/SDGE-20.

activities of this department involve interactions with these agencies at the highest levels, including, but not limited to:

- Maintaining ongoing dialogue with the various regulatory agencies regarding major regulatory priorities, such as safety and enforcement, information and data requests, compliance reviews, audits, policy, and planning.
- Communicating and explaining the Company's position on key issues and matters that are of interest to the agency.
- Communicating and responding to the leadership of the key departments within the CPUC, such as the CPUC Commissioners and their advisory staff, Energy Division, Safety and Enforcement Division, and the Public Advocates Office, regarding key issues and developments.
- Responding to regulatory agency directives, inquiries, and requests.

All costs of the SVP & CRO department are shared O&M costs. Table MM-17 summarizes the costs, and the details of the shared allocations can be found in supporting workpapers (Ex. SDGE-23-WP, 2100-3162).

2. Forecast Method

A base year methodology was used for forecasting the SVP & CRO costs. The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs and does not include any incremental adjustments. The SVP & CRO provides essential compliance governance, oversight, and other support to SDG&E's business units.

3. Cost Drivers

The SVP & CRO department costs are primarily driven by regulatory agency activity, priorities, and mandates. There are no adjustments to the Base Year forecast for this department.

C. Policy, State & Federal Regulatory Proceedings

TABLE MM-18
Summary of Policy, State & Federal Regulatory Proceedings Costs

D. REGULATORY AFFAIRS DIVISION (In 2025 \$)	2025 Adjusted-Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
B. Policy, State & Federal Regulatory Proceedings	-	3,236	3,236	-	3,874	3,874	-	638	638

1. Description of Costs and Underlying Activities

The Policy, State & Federal Regulatory Proceedings department performs activities related to management of regulatory proceedings, tariffs, advice letters, and related compliance. There are two primary areas within this department that perform these functions:

- State & Federal Regulatory Case Management (Case Management)
- Tariffs and Compliance

a. Case Management

The Case Management group oversees SDG&E's proceedings and initiatives conducted by state and federal regulatory authorities, including the CPUC, CAISO, and FERC. The Case Management group also coordinates SDG&E subject matter experts and the support needed to effectively participate in proceedings before state and federal regulatory agencies. The subject matter of these proceedings touches every aspect of the Company's operations, services, objectives, and obligations and include safety, reliability, energy resource procurement, climate goals and mandates, environmental policy, grid modernization, demand forecasts, cost allocation, rates, customer services, customer programs, support for vulnerable customer populations, critical infrastructure (electric and gas), and nuclear decommissioning. In performing this function, the regulatory case manager leads the subject matter experts and support teams through every aspect of the proceeding beginning with the initial filing, through the final decision, and subsequent implementation and compliance requirements. The case manager is closely involved with the development of the policy, analysis, testimony, and the legal work product generated for a regulatory proceeding. The case manager's responsibilities also include assisting the legal group in preparing the subject matter experts involved in the proceeding.

b. Tariff and Compliance

The Tariff and Compliance group primarily oversees and manages the Company's tariff schedules and several related compliance responsibilities. This includes the coordination and timely submission of required reports, meeting various legal requirements (*e.g.*, GO reporting requirements), complying with specific regulatory directives, and responding to regulatory agency requests for information (*i.e.*, data requests). The most common filings submitted to the CPUC include revisions of the tariff schedules, compliance filings for various regulatory directives, and advice letter filings.

2. Forecast Method

A base year methodology was used for forecasting the Policy & Proceedings costs. The base year was adjusted by \$0.638 million primarily to address critical vacancy backfills in relation to the base

year, as well as compensation modernization adjustments. The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs. The Policy & Proceedings team provides essential guidance on policy, strategy, procurement and other support to SDG&E's business units.

3. Cost Drivers

The Policy & Proceedings department supports multiple activities to analyze, respond, and comply with regulatory agency mandates and initiatives. Over the years, this department has experienced a significant increase in workload due to the evolving energy policy at the regulatory and legislative level. In some cases, the policies are new and complex. The following is a non-exhaustive list of factors that have impacted the Company's cost request, which includes incremental adjustments over the base year to fill positions that were vacant in 2025:

- An increasing focus on safety, reliability, affordability, energy policy and achieving California's ambitious climate goals place an extraordinary burden on the regulator and, in turn, the regulatory process.
- The number of regulatory proceedings continues to increase significantly. For example, the CPUC currently has approximately 40 to 50 active rulemaking and investigation proceedings where the Company is a required participant (respondent). These proceedings are critical to the regulator, and the SDG&E must participate accordingly.
- The regulatory process is lengthier and more dynamic, demanding, and resource intensive. It also increasingly involves both settlement discussions and litigation, requiring management of both tracks to a resolution.
- Participation by stakeholders and special interest groups continues to increase, with numerous parties participating in rulemaking proceedings, roughly double the level of participation in the past.
- Regulators have employed a more collaborative process, involving an increasing number of working groups, workshops and other public meetings, where the utility is typically asked to be the primary lead or support the collaborative effort, and thereby develop proposals and build consensus.
- The CPUC is requiring more reporting and other compliance-related activities and the utility must provide the regulator with extensive information so that it can

adequately meet its oversight responsibilities. This places an increasing burden on the Regulatory Affairs department, in its effort to provide the CPUC with the information it needs.

- Lastly, an adjustment of \$0.195 million reflects changes in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20.

D. GRC & Revenue Requirements

TABLE MM-19
Summary of GRC & Revenue Requirements Costs

D. REGULATORY AFFAIRS DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
C. GRC & Revenue Requirements	-	2,032	2,032	-	2,350	2,350	-	318	318

1. Description of Costs and Underlying Activities

The GRC & Revenue Requirements department is a shared department that is responsible for the management and coordination of SDG&E's and SoCalGas's major revenue requirement proceedings before the CPUC. Major proceedings managed by this department include the GRC, including the immediate TY 2028 case, the Cost of Capital proceeding, RAMP, Risk-Based Decision-Making Framework (RDF) proceeding, and other cost recovery-related applications. In addition to these critical proceedings, this department supports various reports filed at the CPUC, including the RSAR and Safety Performance Metrics Report (SPMR). These proceedings continue to evolve and involve significant undertakings due to the considerable size, scope, and duration of the proceedings getting more complicated and complex each year. In addition to the above processes and proceedings, the GRC & Revenue Requirement department manages an increasing number of filings that are typically related to the GRC. Examples of these additional filings include reasonableness review applications, reporting from prior GRC decisions, and various advice letter filings.

Beyond procedural management of the cases, the GRC & Revenue Requirements team provides essential regulatory guidance support to SDG&E's business units. Specifically, the GRC & Revenue Requirements department:

- Oversees and coordinates the Company's GRC forecasting efforts, and, in

conjunction with Legal, assists in development of witness testimony and discovery responses, evidentiary hearings, and RSAR and SPMR filings;

- Develops and maintains GRC database systems and oversees the Regulatory Management System (RMS) as well as the Activity Cost Mapping and Reporting system (ACMR);
- Coordinates and responds to numerous intervenors and CPUC inquiries;
- Participates in and facilitates workshops at the CPUC;
- Provides detailed analysis of utility revenues, expenses, and investments to appropriately establish revenue requirements for SDG&E and SoCalGas; and
- Evaluates CPUC decisions and directives, and communicates the compliance obligations, including GRC authorized revenue, to the broader organization.

The O&M costs of the GRC & Revenue Requirements department are shared and are summarized in Table MM-19. Costs directly related to the electric transmission business are not included in this request and are recovered through electric transmission rates regulated by the FERC.

2. Forecast Method

A base year methodology was used for forecasting the GRC & Revenue Requirements costs. The base year methodology best represents a reasonable estimate of annual costs because the forecast is grounded in actual, recent costs and reflects the support levels needed for current CPUC and FERC requirements. As described in the Cost Drivers section below, the GRC and related processes have significantly increased in scope and complexity since 2021 resulting in additional resources in the GRC & Revenue Requirements department. Accordingly, using a forecast methodology based on historical averages would not accurately represent the current or future costs of the GRC & Revenue Requirements organization.

3. Cost Drivers

The responsibilities of the GRC & Revenue Requirements department continue to increase as a result of new regulatory requirements. Since the last GRC filing, this department has managed the RAMP and RDF proceeding filings, as well as the RSAR and SPMR reporting requirements in collaboration with the CPUC and others resulting in a need for additional resources. Thus, the GRC cycle now involves multiple intensive proceedings and accountability reporting requirements:

- The RDF proceedings – one of which¹⁶ was recently initiated by the CPUC¹⁷ – and associated CPUC decisions. Although this new proceeding is in the beginning phases, SDG&E anticipates further changes to existing processes for risk-related items to continue as well as the initiation of new reporting requirements, such as the Risk Mitigation Accountability Report (RMAR). These new procedural elements are in addition to the requirements that were adopted in the previous RDF proceedings Phases 3¹⁸ and 4.¹⁹ Examples of these requirements include a climate whitepaper, measurement of residual risk as Risk Reporting Units (RRUs) and construction of four Optimization Portfolios.
- The RAMP report and application requirement, which is filed one year prior to each GRC.
- The GRC application, which continues to increase in complexity.
- Annual RSARs, which were recently expanded to include all GRC related spending.
- Annual SPMRs, for which the scope was revised and expanded by D.21-11-009 to include numerous new reportable safety performance metrics.
- Anticipated new accountability reporting in the Risk Mitigation Accountability Report including the newly created RRUs.
- Cost of Capital application for both SoCalGas and SDG&E.

All the above proceedings and reporting requirements have increased in complexity in recent years. For example, the RAMP process now utilizes a different, more quantitative risk methodology that adds significant technical regulatory requirements to the GRC presentation, compared to the risk methods relied upon in SDG&E's prior GRCs. The RAMP report and application process also include additional steps, including one or more public workshops prior to and after submission, as well as more granular analysis requirements.

Because of the additional complexity and regulatory requirements, the GRC & Revenue Requirement department request an additional \$0.318 million to the base year forecast. This additional

¹⁶ R.20-07-013.

¹⁷ R.26-04-016.

¹⁸ D.24-05-064.

¹⁹ D.25-08-032.

\$0.318 million is necessary to address one critical vacancy that was filled in the first quarter of 2026, one incremental Case Manager position to support the RSAR team, as well as compensation modernization adjustments of \$0.108 million. For the compensation modernization initiative, please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20.

The one new Case Management position to support the RSAR is a direct result of the additional regulatory requirements. For example, five years ago, the 2021 RSAR only reported on spending related to safety, reliability, and maintenance for the current year and was 340 pages. More recently, the RSAR, including the 2024 RSAR, was expanded to include all GRC-related spending and encapsulates the entire GRC cycle (four years) resulting in the report growing to 755 pages, more than double the report from five years earlier. The increase in scope on the RSAR, and other proceedings and reports, has increased the number of employees needed as well as software solutions.

E. San Francisco Operations

TABLE MM-20
Summary of San Francisco Operations

D. REGULATORY AFFAIRS DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
D. San Francisco Operations	-	851	851	-	894	894	-	43	43

1. Description of Costs and Underlying Activities

The San Francisco (SF) Operations is a shared department that is responsible for managing the Company's direct relations with CPUC Commissioners, Commissioner Advisors, and the CPUC's various divisions. Its primary responsibility is to provide a single point of contact so that the interface with the CPUC is managed seamlessly and in a manner that is fully responsive to the directives and needs of the Commission. The SF Operations also provides a single point of contact within the Company so that various departments are fully informed regarding regulatory communications with the Commission and appropriate communications protocol and conduct (*e.g.*, *ex parte* communication).

2. Forecast Method

A base year methodology was used for forecasting the SF Operations costs. The base year was adjusted to reflect the company's compensation modernization adjustments, otherwise the base year remains unchanged.

3. Cost Drivers

SF Operations is made up of a Vice President and several Regulatory Relations Managers that have an assigned area of coverage for the regulatory activities at the CPUC, as well as directly supporting the various regulatory proceedings that are ongoing at the CPUC.

An adjustment of \$0.043 million reflects changes in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20.

While the role of the Regulatory Relations Manager is different than the Case Manager, it is similarly impacted by the significant increase in CPUC activity that occurs each year. The Regulatory Relations Manager is heavily involved in the Case Managers' work of effectively coordinating company participation in various state and federal regulatory proceedings, providing action planning for communication with decision makers, and is a universal liaison with all departments in the regulatory agencies and the Company. As mentioned previously, state regulatory agencies are relying on more direct and continuous interaction with the utility. This translates to a greater demand for responses to questions, requests for data and information, and direct dialogue regarding critical issues and developments. Recent examples of this trend include interaction and activity in areas such as wildfire safety, emergency response, reliability and potential system outages, operational status during periods of stress, and greater multi-agency coordination regarding all of these matters.

F. Strategic Planning, Regulatory Policy & Legislative Analysis

TABLE MM-21
Summary of Strategic Planning, Regulatory Policy & Legislative Analysis Costs

D. REGULATORY AFFAIRS DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
E. Strategic Planning, Regulatory Policy & Legislative Analysis	1,745	-	1,745	1,821	-	1,821	76	-	76
Total O&M	1,745	-	1,745	1,821	-	1,821	76	-	76

1. Description of Costs and Underlying Activities

The Strategic Planning, Regulatory Policy & Legislative Analysis department consists of two primary teams:

- Regulatory Policy & Legislative Analysis

- Strategic Planning and Regulatory Policy (Strategic Planning)

a. Regulatory Policy & Legislative Analysis

The Regulatory Policy & Legislative Analysis department examines state-level legislative issues in California and provides analyses of potential impacts to the utility's ability to provide affordable and reliable service, while balancing the various needs of customers and the State's policy objectives. The duties of this group include reviewing and analyzing proposed legislation, identifying operational and policy issues, and consulting with subject matter experts. Additionally, this department provides legislative analyses and background to the business units and subject matter experts responsible for supporting compliance with recently passed laws.

b. Strategic Planning and Regulatory Policy

Strategic Planning is responsible for a broad range of initiatives, including long-term business strategy and goal setting, qualitative and quantitative analysis (*e.g.*, identifying efficiencies), long-term energy system scenario planning, regulatory policy development and support for matters before the CPUC (*e.g.*, GRC, rulemakings, and other applications). While Strategic Planning's activities adapt to meet SDG&E's evolving priorities, they are anchored in connecting strategic business objectives with regulatory policy. Strategic Planning translates company-wide near- and long-term priorities into clear, actionable roadmaps that drive operational efficiency and innovation for the benefit of ratepayers. The department's strategic analysis prepares the Company to mitigate risks and adapt effectively to changing market, business, and regulatory conditions and best practices. As the centralized hub for organization-wide strategy, the Strategic Planning department is uniquely positioned to guide company-specific strategy in alignment with long-term goals and strategic roadmaps.

2. Forecast Method

A base year methodology was used for forecasting the Strategic Planning, Regulatory Policy & Legislative Analysis Strategic Planning, Regulatory Policy & Legislative Analysis costs. The base year was adjusted to reflect the company's compensation modernization adjustments, otherwise the base year remains unchanged.

3. Cost Drivers

The cost drivers for the Strategic Planning, Regulatory Policy & Legislative Analysis department are primarily labor costs. An adjustment of \$0.076 million reflects changes in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20.

This department plays a critical role in safeguarding the interests of customers by providing well-informed input developed through rigorous legislative analysis as well as long-term strategy and goal setting for the company.

VII. CUSTOMER PRICING

A. Introduction

Customer Pricing consists of multiple groups that are responsible collectively for analytical, technical and policy support for electric rates, rate design, rate strategy, electric load research, electric load analysis, and electric demand forecasting. Customer Pricing's TY 2028 forecast is \$4.704 million, compared to the 2025 base year of \$4.359 million. This increase is primarily due to critical vacancy backfills and compensation modernization adjustments. The primary activities and functions covered under each of the sub-groups are provided below.

TABLE MM-22
Summary of Customer Pricing Division Costs

E. CUSTOMER PRICING DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
F. Customer Pricing and Rates Division	4,359	-	4,359	4,704	-	4,704	345	-	345
Total O&M	4,359	-	4,359	4,704	-	4,704	345	-	345

1. Description of Costs and Underlying Activities

The Electric Rates group develops electric rates in compliance with various decisions and resolutions ordered by the Commission and FERC to support accurate recovery of authorized revenue requirements. The Rate Design and Strategy group develops cost-of-service studies, revenue allocation and electric rate design, as well as analyzes ratemaking policies and options, and supports these issues in various regulatory filings.

The Electric Load Research and Analysis group performs various analyses and studies using customer data and electric load information to support regulatory requirements. For example, to comply with CPUC decisions that include a rate setting component, this group uses hourly, and sometimes fifteen-minute, data from smart meters to analyze the impact to various customer segments.

1 The Electric Demand Forecasting group provides near-term and long-term forecasts of energy
2 demand and energy usage at the system level and customer class level, which are used in the sales
3 forecast application to set electric rates, as well as in the Resource Adequacy filing.

4 **2. Forecast Method**

5 A base year methodology was used for forecasting the Customer Pricing, Load Research,
6 Analysis and Forecasting costs. The base year was adjusted by \$0.345 million primarily to address
7 compensation modernization adjustments, as well as critical vacancy backfills. The base year
8 methodology best represents a reasonable estimate of annual costs because the forecast is grounded in
9 actual, recent costs. The Customer Pricing, Load Research, Analysis and Forecasting team supports
10 regulatory filings, and inform pricing, policy, and resource planning decisions.

11 **3. Cost Drivers**

12 The costs for the Customer Pricing division are primarily labor-driven and reflect the resources
13 necessary to perform complex rate design, pricing analysis, and forecasting functions that support
14 compliance with CPUC and FERC requirements. An adjustment of \$0.209 million reflects changes in
15 connection with the compensation modernization initiative. Please refer to the Compensation and
16 Benefits testimony, Ex. SCG-16/SDGE-20. These activities are critical to maintaining accurate and
17 equitable rates for customers while supporting SDG&E's affordability and reliability objectives.
18 Key drivers include:

19 **Regulatory Complexity:** California's energy policy continues to evolve, requiring extensive
20 analysis and participation in proceedings related to rate design, cost allocation, and affordability
21 initiatives.

22 **Data Analytics and Forecasting:** Increased reliance on granular customer usage data, including
23 smart meter interval data, drives the need for advanced modeling and forecasting capabilities to support
24 rate-setting and demand forecasting.

25 **Policy and Program Support:** Customer Pricing plays a central role in implementing new rate
26 design to support electrification, including the residential base services charge, which require specialized
27 rate structures and compliance filings.

28 **Stakeholder Engagement:** Growing participation by intervenors and advocacy groups in rate-
29 related proceedings increases the volume and complexity of data requests and testimony preparation.

30 **Technology and System Enhancements:** Maintaining and upgrading analytical tools and
31 systems to support rate modeling and compliance reporting adds incremental non-labor costs.

VIII. EXECUTIVE OFFICERS

TABLE MM-23
Summary of Executive Officers Division Costs

F. EXECUTIVE OFFICERS DIVISION (In 2025 \$)	2025 Adjusted- Recorded (000s)			TY2028 Est. (000s)			Change (000s)		
	NSS	USS	Total	NSS	USS	Total	NSS	USS	Total
F. Executive Officers	340	-	340	352	-	352	12	-	12
Total O&M	340	0	340	352	0	352	12	0	12

1. Description of Costs and Underlying Activities

The Executive Officers, comprised of the Chief Executive Officer (CEO) and/or President and Chief Operating Officer (COO) & Chief Safety Officer, provide overall leadership, strategic direction, and governance for SDG&E. These roles are responsible for setting the Company's mission, vision, and values, promoting alignment with regulatory obligations, and guiding organizational priorities to deliver safe, reliable, and affordable energy to customers. The Executive Officers oversee corporate strategy, risk management, and performance accountability across all business units, enabling SDG&E to meet its operational, financial, and compliance objectives.

Costs in this area primarily consist of labor and associated non-labor expenses for executive support functions. Officer compensation, as defined under CPUC Resolution E-4963 and California Public Utilities Code Section 706 (as modified by Senate Bill 901), is excluded from this request. All costs presented in this section reflect allowable expenses necessary to maintain effective governance and leadership for the Company.

2. Forecast Method

A base year methodology was used for forecasting the Executive Officers costs. The base year was adjusted to reflect the company's compensation modernization adjustments, otherwise the base year remains unchanged.

3. Cost Drivers

The costs for the Executive Officers are primarily labor-driven and reflect the resources necessary to provide strategic leadership and governance across all business units. These costs include executive support functions, administrative assistance, and essential non-labor expenses such as office supplies, technology tools, and limited travel for regulatory and stakeholder engagement. An adjustment of \$0.012 million reflects changes in connection with the compensation modernization initiative. Please refer to the Compensation and Benefits testimony, Ex. SCG-16/SDGE-20.

The Executive Officers play a critical role in supporting compliance with regulatory mandates, maintaining operational oversight, and guiding the Company’s strategic initiatives. As SDG&E continues to navigate an evolving energy landscape, these leadership functions are essential to align corporate priorities with customer affordability, safety, and reliability objectives.

IX. FRANCHISE FEES

A. Introduction

The purpose of this section is to provide background and analysis for SDG&E’s Franchise Fees as estimated for TY 2028.

TABLE MM-24

Summary of Franchise Fees Costs²⁰

Franchise Fees (In 2025\$)	Estimated 2026 (000s)	Estimated 2027 (000s)	Estimated TY2028 (000s)
Electric Distribution	77,179	80,700	86,318
Electric Generation	7,049	7,029	7,224
Gas Distribution	16,384	16,999	18,308
Total	100,612	104,728	111,849

1. Description of Underlying Costs

Franchise fees are payments made to counties and incorporated cities pursuant to local ordinances granting a franchise to the Company to place utility property in the public rights of way. These facilities include poles, wires, conduits, and appurtenances for transmitting and distributing electricity, and pipes and appurtenances for transmitting and distributing gas.

Franchise fees attributable to revenues not included in this Application, such as commodity revenues, are excluded from the above franchise fee calculations. SDG&E has franchise fee agreements with 28 taxing jurisdictions. Franchises are calculated using two formulas: (1) the “Broughton Act” formula, and (2) the “Percent of Gross Receipts” formula. The Broughton Act formula, as prescribed by CPUC guidelines, is calculated based upon the summarized receipts within each city or county as allocated by electric pole line and gas pipeline mileage in their public rights of way, and the applicable franchise fee rate pursuant to the franchise fee ordinance. The Percent of Gross Receipts formula is

²⁰ Note: Franchise Fees are calculated based on ERR-1 Final RO Model, which might be subject to change. Totals may include rounding differences.

1 calculated based upon the summarized receipts within each city or county, and the applicable franchise
2 fee rate pursuant to the franchise fee ordinance.

3 The franchise agreement with each taxing authority specifies which of the above methods
4 SDG&E will use to determine its franchise fee liability. The majority of agreements require that the
5 franchise fee be calculated under both methods with SDG&E paying the higher of the two calculated
6 fees. The remaining agreements specify that only the Broughton Act or the Percent of Gross Receipts
7 method be used.

8 **2. Forecast Method**

9 The total payments to all taxing authorities were summed and divided by total receipts to arrive
10 at system-wide franchise fee factors for electric and gas. The system-wide franchise fee factors for the
11 most recent five years were then averaged to yield forecasted average franchise fee factors for TY 2028.
12 The average electric franchise fee factor for TY 2028 is projected to be 3.2177% based on the trend
13 from actual 2021-2025 franchise fees. The average gas franchise fee factor for TY 2028 is projected to
14 be 2.0497%, likewise based on the trend from actual 2021-2025 franchise fees. The estimated franchise
15 fees for 2026-2028 were determined by applying 3.2177% to forecasted electric base margin and
16 2.0497% to forecasted gas base margin as presented by other witnesses in their direct testimonies.

17 **3. Cost Drivers**

18 As noted above, the change in franchise fee expense from 2025 to 2028 results from changes in
19 base margin as presented by other witnesses in their direct testimonies.

20 **X. REGULATORY ACCOUNTS**

21 **A. Interruption Cost Estimate (ICE) 2.0 Calculator Memorandum Account (ICEMA)**

22 Pursuant to D.22-12-027 (Phase II Decision) Ordering Paragraph (OP) 2(b)(iii) SDG&E
23 previously established the ICEMA. The ICEMA is an interest-bearing memorandum account that is
24 recorded on SDG&E's financial statements. The purpose of the ICEMA is to record the incremental
25 costs associated with participating in ICE 2.0 Calculator development, costs up to \$600,000, plus an
26 additional 15 percent for potential incremental costs, in the ICEMA, until such costs are sought for
27 recovery.

28 Pursuant to the Phase II Decision in the Risk-Based Decision-Making Framework Order
29 Instituting Rulemaking (OIR), SDG&E was directed to participate in the Lawrence Berkeley National
30 Laboratory (LBNL) customer survey process needed to incorporate California-specific data into the ICE

2.0 model.²¹ This survey process is intended to improve the valuation of electric reliability investments by more accurately capturing the customer impacts of interruptions lasting up to 24 hours and seeks to reflect utility recommendations that enhance the tool's design and performance. In compliance with this directive, SDG&E undertook activities necessary to update the ICE Calculator, including the development of statistically representative samples of customer demographics, load, billing, and outage experience. SDG&E also reviewed and assessed LBNL's survey methodology and model outputs throughout the process. As noted by the Commission, developing a reasonable valuation of electric reliability risk is an ongoing process, and IOU participation in the LBNL survey effort contributes to a more precise valuation of electric reliability.²²

Recognizing that participation in the ICE Calculator 2.0 update process entails incremental costs, the Commission authorized SDG&E to establish a memorandum account to track such costs and subsequently seek recovery.²³ As of December 31, 2025, SDG&E recorded \$529,449 to the ICEMA. SDG&E's incurred costs are under the Commission's \$600,000 incremental cost limit and supports the goal of quantifying the valuation of electric reliability. Accordingly, SDG&E requests the Commission recovery of ICEMA's balance and authorization to continue the memorandum account through the TY 2028 GRC cycle.

XI. CONCLUSION

SDG&E requests that the CPUC adopt the O&M TY 2028 forecasts presented in this testimony. SDG&E's TY 2028 A&G forecasts were carefully developed and scrutinized to reflect a prudent level of funding needed for critical functions and activities during this GRC term. The functions and activities discussed in my testimony are necessary in order to meet accounting, regulatory, legal, and risk requirements, which make it possible to safely, reliably, and affordably serve our customers. The amount requested for TY 2028 of \$69.436 million, which is \$8.283 million more than base year 2025, is necessary to meet the needs of utility operations, meet increasing compliance obligations, and see that the Company meets compliance and safety requirements. In addition, my request includes \$111.849 million for franchise fees.

This concludes my prepared direct testimony.

²¹ D.22-12-027 at 39-40.

²² *Id.* at 39-40.

²³ *Id.* at 40.

1 **XII. WITNESS QUALIFICATIONS**

2 My name is Maritza Mekitarian. I am employed by SDG&E as Vice President – Chief
3 Accounting Officer and Controller. My business address is 8680 Balboa Ave, San Diego, CA 92123.

4 I received a Bachelor of Science in Business Administration with Accounting emphasis from
5 San Diego State University and am a Certified Public Accountant in the state of California. I have been
6 employed by SDG&E and Sempra Energy since 2000. In addition to my current position, I have held
7 various Accounting and Finance positions within the organization, including Financial Accounting
8 Manager, Financial and Strategic Planning Manager, Director of Financial Planning, and Senior Director
9 and Assistant Controller.

10 In my current role, I am responsible for overseeing the accounting operations, financial
11 reporting, and regulatory balancing accounts for SDG&E.

12 I have previously testified before the Commission.

APPENDIX A
GLOSSARY OF TERMS

APPENDIX A

Glossary of Terms

ACRONYM	DEFINITION
A&F	Accounting and Finance
AP	Accounts Payable
ACMR	Activity Cost Mapping and Reporting System
A&G	Administrative and General
ABC	Affiliate Billing & Costing
AFUDC	Allowance for Funds Used During Construction
A&PA	Asset & Project Accounting
BCR	Benefit Cost Ratio
BPA	Billable Project Accounting
BY	Base Year
CEC	California Energy Commission
CAISO	California Independent System Operator
CPUC	California Public Utilities Commission
CAO	Chief Accounting Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRO	Chief Regulatory Officer
CCA	Community Choice Aggregators
CWIP	Construction Work in Progress
DRCC	Directors Risk & Compliance Council
DER	Distributed Energy Resources
ERRA	Energy Resources Recovery Account
ERM	Enterprise Risk Management
FERC	Federal Energy Regulatory Commission
FASB	Financial Accounting Standards Board
FTE	Full-Time Equivalent
GO	General Order
GAAP	Generally Accepted Accounting Principles
ICE	Interruption Cost Estimate
ICEMA	Interruption Cost Estimate 2.0 Calculator Memorandum Account
LBNL	Lawrence Berkeley National Laboratory
MARP	Management Accounting and Finance Rotational Program
NSS	Non-Shared Services
OEIS	Office of Energy Infrastructure Safety
O&M	Operations and Maintenance
OIR	Order Instituting Rulemaking

OP	Ordering Paragraph
RMS	Regulatory Management System
RAMP	Risk Assessment Mitigation Phase
RMAR	Risk Management Accountability Report
RRU	Risk Reporting Unit
RSAR	Risk Spending Accountability Report
RDF	Risk-Based Decision-Making Framework
SEC	United States Securities and Exchange Commission
SMS	Safety Management System
SPMR	Safety Performance Metrics Report
SDG&E	San Diego Gas & Electric
SF Operations	San Francisco Operations
SOX	Sarbanes-Oxley Act
SVP	Senior Vice President
SoCalGas	Southern California Gas Company
Strategic Planning	Strategic Planning and Regulatory Policy
SS	Sundry Services
TY	Test Year
TPCMA	Third-Party Claims Memorandum Account
USS	Utility Shared Services
VP	Vice President

2028 GRC Testimony Revision Log –September 2026

Page	Line or Table	Revision Detail
vi	Summary Table	Updated table
vii	Second Paragraph	Changed 69.533 to 69.436
vii	Second Paragraph	Changed 61.250 to 61.153
1	MM-1	Updated table
1	MM-2	Updated table
1	MM-2	Added a footnote
2	13	Changed 69.533 to 69.436
5	MM-3	Added a footnote
10	9	Updated footnote
14	8	Updated footnote
17	8	Updated footnote
21	21	Changed 29.367 to 29.271
21	21	Changed 25.071 to 24.974
22	MM-10	Updated table
22	MM-11	Updated table
22	7	Changed 13.371 to 13.356
28	MM-12	Updated table
28	18	Changed 6.959 to 6.878
54	MM-23	Changed MM-23 to MM-24
54	MM-24	Updated table and added a footnote
55	13	Changed 20254 to 2025
56	23	Changed 69.533 to 69.436
56	25	Changed 112.235 to 111.849